UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-4174

THE WILLIAMS COMPANIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	73-0569878
(State of Incorporation)	(IRS Employer Identification Number)

ONE WILLIAMS CENTER TULSA, OKLAHOMA	74172
(Address of principal executive office)	(Zip Code)

Registrant's telephone number: (918)573-2000

NO CHANGE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at April 30, 2003
Common Stock, $1 par value	517,719,805 Shares

The Williams Companies, Inc.
Index

Certain matters discussed in this report, excluding historical information, include forward-looking statements - statements that discuss Williams' expected future results based on current and pending business operations. Williams makes these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

Forward-looking statements can be identified by words such as "anticipates," "believes," "expects," "planned," "scheduled," "could," "continues," "estimates," "forecasts," "might," "potential," "projects" or similar expressions. Although Williams believes these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document. Additional information about issues that could lead to material changes in performance is contained in The Williams Companies, Inc.'s 2002 Form 10-K.

The Williams Companies, Inc.
Consolidated Statement of Operations
(Unaudited)

Three months (Dollars in millions, except per-share amounts) ended March 31,	2003	2002*
Revenues:		
Energy Marketing & Trading	$ 3,781.5	$ 340.9
Gas Pipeline	406.4	384.0
Exploration & Production	266.4	227.7
Midstream Gas & Liquids	1,133.2	400.0
Williams Energy Partners	116.7	92.1
Petroleum Services	239.7	187.5
Other	14.0	16.9
Intercompany eliminations	(597.7)	(27.1)
Total revenues	5,360.2	1,622.0
Segment costs and expenses:		
Costs and operating expenses	4,847.7	816.7
Selling, general and administrative expenses	149.4	166.1
Other (income) expense - net	113.1	(1.0)
Total segment costs and expenses	5,110.2	981.8
General corporate expenses	22.9	38.2
Operating income (loss):		
Energy Marketing & Trading		

(130.5) 273.0
Gas Pipeline
92.9 159.8
Exploration &
Production
124.0 106.7
Midstream Gas
& Liquids
110.1 52.7
Williams
Energy
Partners 35.4
26.9
Petroleum
Services 18.5
22.6 Other
(0.4) (1.5)
General
corporate
expenses
(22.9) (38.2)

Total
operating
income 227.1
602.0
Interest
accrued
(372.8)
(210.8)
Interest
capitalized
12.1 5.4
Interest rate
swap income
(loss) (2.8)
10.2
Investing
income (loss)
48.0 (215.8)
Minority
interest in
income and
preferred
returns of
consolidated
subsidiaries
(16.1) (15.1)
Other income
(expense) -
net 22.5
(4.5) ---
--- ---
--- Income
(loss) from
continuing
operations
before income
taxes and
cumulative
effect of
change in
accounting
principles
(82.0) 171.4
Provision
(benefit) for
income taxes
(24.3) 73.0 -
--- -

Income (loss)
from
continuing
operations
(57.7) 98.4
Income from
discontinued
operations
4.5 9.3 ---
--- ---

Income (loss)
before
cumulative
effect of
change in
accounting
principles
(53.2) 107.7
Cumulative
effect of

change in accounting principles	(761.3)	--
Net income (loss)	(814.5)	107.7
Preferred stock dividends	6.8	69.7
Income (loss) applicable to common stock	$ (821.3)	$ 38.0
Basic and diluted earnings (loss) per common share:		
Income (loss) from continuing operations	$ (.13)	$ .05
Income from discontinued operations	.01	.02
Income (loss) before cumulative effect of change in accounting principles	(.12)	.07
Cumulative effect of change in accounting principles	(1.47)	--
Net income (loss)	$ (1.59)	$ .07
Basic weighted-average shares (thousands)	517,652	519,224
Diluted weighted-average shares (thousands)	517,652	521,240
Cash dividends per common share	$ .01	$ .20

*Certain amounts have been reclassified as described in Note 2 of Notes to Consolidated Financial Statements.

See accompanying notes.

The Williams Companies, Inc.
Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per-share amounts)	March 31, 2003	December 31, 2002
ASSETS		
Current assets: Cash and cash equivalents	$ 1,501.1	$ 1,728.3
Restricted cash	323.1	102.8
Accounts and notes receivable less allowance of $115.6 ($113.2 in 2002)	2,589.4	2,524.4
Inventories	383.4	443.1
Energy risk management and trading assets	--	296.7
Derivative assets	7,772.8	5,024.3
Margin deposits	853.5	804.8
Assets of discontinued operations	205.9	981.3
Deferred income taxes	572.9	569.2
Other current assets and deferred charges	410.3	411.2
Total current assets	14,612.4	12,886.1
Restricted cash	216.5	188.3
Investments	1,511.0	1,475.6
Property, plant and equipment, at cost	19,036.6	19,039.7
Less accumulated depreciation and depletion	(4,359.5)	

(4,322.0) --
---------- -

14,677.1
14,717.7
Energy risk
management
and trading
assets --
1,821.6
Derivative
assets
2,415.2
1,865.1
Goodwill
1,082.5
1,082.5
Other assets
and deferred
charges
927.6 951.6

Total assets
$ 35,442.3 $
34,988.5
============
============
LIABILITIES
AND
STOCKHOLDERS'
EQUITY
Current
liabilities:
Notes
payable $
967.6 $
934.8
Accounts
payable
1,927.3
2,027.5
Accrued
liabilities
1,377.3
1,546.6
Liabilities
of
discontinued
operations
124.4 304.1
Energy risk
management
and trading
liabilities
-- 244.4
Derivative
liabilities
7,807.5
5,168.3
Long-term
debt due
within one
year 2,304.5
1,082.8 ----
-------- ---

Total
current
liabilities
14,508.6
11,308.5
Long-term
debt
10,491.1
11,896.4
Deferred
income taxes
2,799.5
3,353.6
Energy risk
management
and trading
liabilities
-- 680.9
Derivative
liabilities
2,023.0
1,209.8
Other
liabilities
and deferred
income

	1,036.9	1,066.6
Contingent liabilities and commitments (Note 11)		
Minority interests in consolidated subsidiaries	430.3	423.7
Stockholders' equity:		
Preferred stock, $1 per share par value, 30 million shares authorized, 1.5 million issued in 2003 and 2002	271.3	271.3
Common stock, $1 per share par value, 960 million shares authorized, 520.8 million issued in 2003, 519.9 million issued in 2002	520.8	519.9
Capital in excess of par value	5,186.6	5,177.2
Accumulated deficit	(1,710.8)	(884.3)
Accumulated other comprehensive income (loss)	(48.3)	33.8
Other	(28.1)	(30.3)
	4,191.5	5,087.6
Less treasury stock (at cost), 3.2 million shares of common stock in 2003 and 2002	(38.6)	(38.6)
Total stockholders' equity	4,152.9	5,049.0
Total liabilities and stockholders' equity	$ 35,442.3	$ 34,988.5

See accompanying notes.

The Williams Companies, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

(Millions) Three months ended March 31,	2003	2002*
OPERATING ACTIVITIES: Income (loss) from continuing operations	$ (57.7)	$ 98.4
Adjustments to reconcile to cash provided (used) by operations:		
Depreciation, depletion and amortization	198.4	178.8
Provision (benefit) for deferred income taxes	(35.2)	59.2
Payments of guarantees and payment obligations related to WilTel	--	(753.9)
Provision for loss on property and other assets	129.5	9.3
Provision for uncollectible accounts: WilTel	--	232.0
Other	6.0	1.7
Minority interest in income and preferred returns of consolidated subsidiaries	16.1	15.1
Amortization and taxes associated with stock-based awards	11.1	8.0
Accrual for fixed rate interest included in RMT note payable	33.0	--
Amortization of deferred set-up fee and fixed rate interest on the RMT note payable	64.3	--
Cash provided (used) by changes in current assets and liabilities:		
Restricted cash	2.5	--
Accounts and notes receivable	(101.6)	(132.3)
Inventories	18.8	(75.5)
Margin deposits	(48.7)	(43.1)
Other current assets and deferred charges	(65.1)	(103.3)
Accounts payable	(61.8)	114.8
Accrued liabilities	(168.2)	(300.1)
Changes in current derivative and energy risk management and trading assets and liabilities	1,083.3	58.3
Changes in noncurrent derivative and energy risk management and trading assets and liabilities	(1,094.2)	(347.0)
Other, including changes in		

noncurrent assets and liabilities (33.2) (38.0) ------ ------ ------------ Net cash used by operating activities of continuing operations (102.7) (1,017.6) Net cash provided by operating activities of discontinued operations 6.0 19.7 ------------ ------- ----- Net cash used by operating activities (96.7) (997.9) ------------ ------------ FINANCING ACTIVITIES: Payments of notes payable (.1) (1,337.5) Proceeds from long-term debt 176.5 3,083.7 Payments of long-term debt (360.5) (277.1) Proceeds from issuance of common stock -- 13.1 Dividends paid (12.0) (103.5) Proceeds from sale of limited partner units of consolidated partnership -- 272.3 Payments of debt issuance costs (6.9) (95.4) Payments/dividends to minority and preferred interests (9.5) (12.8) Changes in restricted cash (250.6) -- Changes in cash overdrafts (31.6) (6.2) Other--net -- (.4) -------- ---- ------------ Net cash provided (used) by financing activities of continuing operations (494.7) 1,536.2 Net cash used by financing activities of discontinued operations (71.6) (6.8) ------------ - ----------- Net cash provided (used) by financing activities (566.3) 1,529.4 ---- -------- ----------- - INVESTING ACTIVITIES: Property, plant and equipment: Capital expenditures (244.4) (386.4) Proceeds from dispositions 43.6 85.5 Purchases of investments/advances to affiliates (5.7) (150.0) Proceeds from sales of businesses 636.2 423.2 Other--net 4.1 (8.4) ------------ - ----------- Net cash provided (used) by investing activities of continuing operations 433.8 (36.1) Net cash used by investing activities of discontinued operations (5.2)

(93.5) ------------ ------------ Net cash provided (used) by investing activities 428.6 (129.6) ------------ ------------ Increase (decrease) in cash and cash equivalents (234.4) 401.9 Cash and cash equivalents at beginning of period** 1,736.0 1,301.1 ------------ ------------ Cash and cash equivalents at end of period** $ 1,501.6 $ 1,703.0 ============ ============

* Amounts have been restated or reclassified as described in Note 2 of Notes to Consolidated Financial Statements.

** Includes cash and cash equivalents of discontinued operations of $.5 million, $7.7 million, $23.2 million and $42.6 million at March 31, 2003, December 31, 2002, March 31, 2002 and December 31, 2001, respectively.

See accompanying notes.

1. General

Company outlook

As discussed in The Williams Companies, Inc.'s (Williams or the Company) Form 10-K for the year ended December 31, 2002, events in 2002 and the last half of 2001 significantly impacted the Company's operations, both past and future. On February 20, 2003, Williams outlined its planned business strategy for the next several years which management believes to be a comprehensive response to the events which have impacted the energy sector and Williams during 2002. The plan focuses on retaining a strong, but smaller, portfolio of natural gas businesses and bolstering Williams' liquidity through more asset sales, limited levels of financing at the Williams and subsidiary levels and additional reductions in its operating costs. The plan is designed to provide Williams with a clear strategy to address near-term and medium-term liquidity issues and further de-leverage the company with the objective of returning to investment grade status by 2005, while retaining businesses with favorable returns and opportunities for growth in the future. As part of this plan, Williams expects to generate proceeds, net of related debt, of nearly $4 billion from asset sales during 2003 and first-quarter 2004. During first-quarter 2003, Williams had received $679.8 million in net proceeds from the sales of assets and businesses, including the retail travel centers and the Midsouth refinery. In April 2003, Williams announced that it had signed definitive agreements for the sales of the Texas Gas pipeline system, Williams' general partnership interest and limited partner investment in Williams Energy Partners, and certain natural gas exploration and production properties in Kansas, Colorado, New Mexico and Utah (see Note 14). All of these newly announced sales are expected to close in the second quarter. Sales anticipated to close in the second quarter are expected to generate net proceeds of approximately $2 billion. As previously announced, the Company intends to reduce its commitment to the Energy Marketing & Trading business, which could be realized by entering into a joint venture with a third party or through the sale of a portion or all of the marketing and trading portfolio. Through March 31, 2003, Energy Marketing & Trading has sold or announced sales of contracts totaling approximately $215 million.

As of March 31, 2003, the Company has maturing notes payable and long-term debt through first-quarter 2004 totaling approximately $3.5 billion, which includes certain contractual fees and deferred interest associated with an underlying debt. The Company anticipates the cash on hand, the asset sales mentioned above, additional asset sales, and refinancing of a portion of these obligations will enable the Company to meet its liquidity needs over that period.

Other

The accompanying interim consolidated financial statements of Williams do not include all notes in annual financial statements and therefore should be read in conjunction with the consolidated financial statements and notes thereto in Williams' Annual Report on Form 10-K. The accompanying unaudited financial statements include all normal recurring adjustments and others, including asset impairments, loss accruals, and the change in accounting principles which, in the opinion of Williams' management, are necessary to present fairly its financial position at March 31, 2003, and its results of operations and cash flows for the three months ended March 31, 2003 and 2002.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

2. Basis of presentation

In accordance with the provisions related to discontinued operations within Statement of Financial Accounting Standard (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the accompanying consolidated financial statements and notes reflect the results of operations, financial position and cash flows of the following components as discontinued operations (see Note 6):

- The Colorado soda ash mining operations, previously part of the International segment
- Bio-energy operations, previously part of the Petroleum Services segment
- Refining and marketing operations in the Midsouth, including the Midsouth refinery, previously part of the Petroleum Services segment
- Retail travel centers concentrated in the Midsouth, previously part of the Petroleum Services segment
- Kern River Gas Transmission (Kern River), previously one of Gas Pipeline's segments
- Central natural gas pipeline, previously one of Gas Pipeline's segments
- Two natural gas liquids pipeline systems, Mid-American Pipeline and Seminole Pipeline, previously part of the Midstream Gas & Liquids segment

Unless indicated otherwise, the information in the Notes to the Consolidated Financial Statements relates to the continuing operations of Williams. Williams expects that other components of its business will be classified as discontinued operations in the future as those operations are sold or classified as held-for-sale.

Certain other statement of operations, balance sheet and cash flow amounts have been reclassified to conform to the current classifications.

3. Changes in accounting policies and cumulative effect of change in accounting principles

Energy commodity risk management and trading activities and revenues

Effective January 1, 2003, Williams adopted Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The Issue rescinded EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." Issue No. 02-3 precludes fair value accounting for energy trading contracts that are not derivatives pursuant to Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," and for commodity trading inventories. As a result of initial application of this Issue, Williams reduced energy risk management and trading assets (including inventories) by $2,159.2 million, energy risk management and trading liabilities by $925.3 million and net income by $762.5 million (net of a $471.4 million benefit for income taxes). Of this amount, approximately $755 million relates to Energy Marketing & Trading's portion with the remainder relating to Midstream Gas & Liquids. The reduction of net income is reported as a cumulative effect of a change in accounting principle. The change results primarily from power tolling, load serving, transportation and storage contracts not meeting the definition of a derivative and no longer being reported at fair value.

The power tolling, load serving, transportation and storage contracts are now accounted for on an accrual basis. Under this model, revenues for sales of products are recognized in the period of delivery. Revenues and costs associated with these non-derivative energy contracts and other non-derivative activities are reflected gross in revenues and costs and operating expenses in the Consolidated Statement of Operations beginning January 1, 2003. This change significantly impacts the presentation of revenues and costs and operating expenses. Physical commodity inventories previously reflected at fair value are now stated at average cost, not in excess of market. Derivative energy contracts utilized for trading purposes continue to be reflected at fair value, and gains and losses due to changes in fair value of these derivatives are reflected net in revenues.

Asset retirement obligations

Additionally, effective January 1, 2003, Williams adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Statement also amends SFAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." As required by the new standard, Williams recorded liabilities equal to the present value of expected future asset retirement obligations at January 1, 2003. The obligations relate to producing wells, offshore platforms, underground storage caverns and gas gathering well connections. At the end of the useful life of each respective asset, Williams is legally obligated to plug both producing wells and storage caverns and remove any related surface equipment, to dismantle offshore platforms, and to cap certain gathering pipelines at the wellhead connection and remove any related surface equipment. The liabilities are partially offset by increases in property, plant and equipment, net of accumulated depreciation, recorded as if the provisions of the Statement had been in effect at the date the obligation was incurred. As a result of the adoption of SFAS No. 143, Williams recorded a long-term liability of $33.4 million; property, plant and equipment, net of accumulated depreciation, of $24.8 million and a credit to earnings of $1.2 million (net of a $.1 million benefit for income taxes) reflected as a cumulative effect of a change in accounting principle. Williams also recorded a $9.7 million regulatory asset for retirement costs of dismantling offshore platforms expected to be recovered through regulated rates. In connection with adoption of SFAS No. 143, Williams changed its method of accounting to include salvage value of equipment related to producing wells in the calculation of depreciation. The impact of this change is included in the amounts discussed above. Williams has not recorded liabilities for pipeline transmission assets, processing and refining assets, and gas gathering systems pipelines. A reasonable estimate of the fair value of the retirement obligations for these assets cannot be made as the remaining life of these assets is not currently determinable.

Had the Statement been adopted at the beginning of 2002, the impact to Williams' income from continuing operations and net income would have been immaterial. There would have been no impact on earnings per share.

4. Asset impairments and other loss accruals

In February 2003, Williams announced its intentions to sell its Texas Gas pipeline system as part of the company's ongoing strategy to improve its financial position (see Note 1). A reserve auction process was initiated for the sale of the Texas Gas pipeline system during first-quarter 2003. This business did not meet the criteria to be classified as held for sale at March 31, 2003, and was evaluated for recoverability on a held-for-use basis pursuant to SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." A $109 million impairment charge was recorded in first-quarter 2003 reflecting the excess of the carrying cost of the long-lived assets over management's estimate of fair value, and is reported in other (income) expense - net within segment costs and expenses as part of the Gas Pipeline segment. Fair value was based on management's assessment of the expected sales price pursuant to an agreement to sell the pipeline system for $795 million in cash, which was announced April 14, 2003.

The company is currently engaged in negotiations to sell its Alaska refinery and related assets. During first-quarter 2003, management revised its assessment of the estimated fair value of these assets, reflective of recent information obtained through continuing sales negotiations using a probability weighted approach. As a result, an additional impairment charge of $8 million was recognized in first-quarter 2003 in other (income) expense - net within segment costs and expenses as part of the Petroleum Services segment.

Investing income (loss) for 2003 includes a $12 million impairment of the investment in Algar Telecom S.A. Negotiations for the sale of this investment have resulted in a determination that fair value is less than carrying value, representing an other than temporary decline in value. Fair value was based on management's assessment of the expected sales price pursuant to terms of a completed memorandum of understanding for the sale of the investment.

Investing income (loss) for 2002 includes a $232 million loss provision related to the estimated recoverability of receivables from Wiltel Communications Group, Inc. (formerly Williams Communications Group, Inc.).

5. Provision (benefit) for income taxes

The provision (benefit) for income taxes from continuing operations includes:

	Three months ended March 31,	
(Millions)	2003	2002
Current:		
Federal	$ 6.2	$ 7.6
State	4.7	2.6
Foreign	--	3.6
	10.9	13.8
Deferred:		
Federal	(26.6)	43.7
State	(6.4)	8.8
Foreign	(2.2)	6.7
	(35.2)	59.2
Total provision (benefit)	$ (24.3)	$ 73.0

The effective income tax rate for the three months ended March 31, 2003, is less than the federal statutory rate (less tax benefit) largely due to the effect of state income taxes associated primarily with jurisdictions in which Williams files separate returns.

The effective income tax rate for the three months ended March 31, 2002, is greater than the federal statutory rate due primarily to the effect of state income taxes.

6. Discontinued operations

During 2002, Williams began the process of selling assets and/or businesses to address liquidity issues. The businesses discussed below represent components of Williams that have been sold or approved for sale by the board of directors as of March 31, 2003; therefore, their results of operations (including any impairments, gains or losses), financial position and cash flows have been reflected in the consolidated financial statements and notes as discontinued operations.

Summarized results of discontinued operations for the three months ended March 31, 2003 and 2002 are as follows:

Three months ended March 31,			
(Millions)	2003	2002	
Revenues	$ 612.9	$ 896.1	
Income from discontinued operations before income taxes and cumulative effect of change in accounting principle	$ 6.3	$ 52.5	
(Impairments) and gain (loss) on sales - net	(.3)	(38.1)	
Provision for income taxes	(1.5)	(5.1)	
Total income from discontinued operations	$		

4.5 $ 9.3
========
========

Summarized assets and liabilities of discontinued operations reflected as current assets and current liabilities in the Consolidated Balance Sheet as of March 31, 2003 and December 31, 2002, are as follows:

(Millions)	March 31, 2003	December 31, 2002
Total current assets	$ 156.9	$ 441.6
Property, plant and equipment - net	39.3	520.5
Other non-current assets	9.7	19.2
Total non-current assets	49.0	539.7
Total assets	$ 205.9	$ 981.3
Long-term debt due within one year	$ .1	$ 68.6
Other current liabilities	111.0	217.3
Total current liabilities	111.1	285.9
Long-term debt	-	8.5
Other non-current liabilities	13.3	9.7
Total non-current liabilities	13.3	18.2
Total liabilities	$ 124.4	$ 304.1

HELD FOR SALE AT MARCH 31, 2003

Soda ash operations

In March 2002, Williams announced its intentions to sell its soda ash

mining facility located in Colorado. During third-quarter 2002, Williams' board of directors approved a plan authorizing management to negotiate and facilitate a sale of its interest in the soda ash operations pursuant to terms of a proposed sales agreement. The soda ash facility was previously written-down to its estimated fair value less cost to sell at December 31, 2002. This estimate was reflective of terms of the negotiations to sell the operations. During 2003, further sale negotiations provided new information regarding estimated fair value. As a result, an additional impairment charge of $5 million was recognized in first-quarter 2003 and is included in (impairments) and gain (loss) on sales in the preceding table. The soda ash operations were part of the previously reported International segment.

Bio-energy facilities

Williams' bio-energy operations have been identified as assets not related to the new more narrowly focused business. During fourth-quarter 2002, Williams' board of directors approved a plan authorizing management to negotiate and facilitate a sale pursuant to terms of a proposed sales agreement. The December 31, 2002 carrying value reflected the estimated fair value less cost to sell. On February 20, 2003, Williams announced it had signed a definitive agreement to sell these operations to a new company formed by Morgan Stanley Capital Partners. This sale is expected to close during second-quarter 2003. These operations were part of the Petroleum Services segment.

2003 COMPLETED TRANSACTIONS

Midsouth refinery and related assets

On March 4, 2003, Williams completed the sale of its refinery and other related operations located in Memphis, Tennessee to Premcor, Inc. for approximately $455 million in cash. A gain on sale of $4.7 million was recognized when the asset was sold and is included in (impairments) and gain (loss) on sales in the preceding table. These assets were previously written-down by $240.8 million to their estimated fair value less cost to sell at December 31, 2002. These operations were part of the Petroleum Services segment.

Williams travel centers

On February 27, 2003, Williams completed the sale of the travel centers to Pilot Travel Centers LLC for approximately $189 million in cash. The December 31, 2002 carrying value reflected the estimated fair value less cost to sell. No significant gain or loss was recognized on the sale. These operations were part of the Petroleum Services segment.

2002 COMPLETED TRANSACTIONS

Kern River

On March 27, 2002, Williams completed the sale of its Kern River pipeline for $450 million in cash and the assumption by the purchaser of $510 million in debt. As part of the agreement, $32.5 million of the purchase price was contingent upon Kern River receiving a certificate from the FERC to construct and operate a future expansion. This certificate was received in July 2002, and the contingent payment plus interest was recognized as income from discontinued operations in third-quarter 2002. Included as a component of (impairments) and gain (loss) on sales in the preceding table is a pre-tax loss of $38.1 million for the three months ended March 31, 2002. Kern River was a segment within Gas Pipeline.

Central

On November 15, 2002, Williams completed the sale of its Central natural gas pipeline, for $380 million in cash and the assumption by the purchaser of $175 million in debt. Central was a segment within Gas Pipeline.

Mid-America and Seminole Pipelines

On August 1, 2002, Williams completed the sale of its 98 percent interest in Mid-America Pipeline and 98 percent of its 80 percent ownership interest in Seminole Pipeline for $1.2 billion. The sale generated net cash proceeds of $1.15 billion. These assets were part of the Midstream Gas & Liquids segment.

Notes (Continued)

7. Earnings (loss) per share

Basic and diluted earnings (loss) per common share are computed as follows:

(Dollars in millions, except per-share amounts; shares in thousands) Three months ended March 31,	2003	2002
Income (loss) from continuing operations	$ (57.7)	$ 98.4
Convertible preferred stock dividends	(6.8)	(69.7)
Income (loss) from continuing operations available to common stockholders for basic and diluted earnings per share	$ (64.5)	$ 28.7
Basic weighted-average shares	517,652	519,224
Effect of dilutive securities: Stock options	--	2,016
Diluted weighted-average shares	517,652	521,240
Earnings (loss) per share from continuing operations: Basic	$	

(.13)	$ .05
Diluted	$
(.13)	$ .05

For the three months ended March 31, 2003, diluted earnings (loss) per share is the same as the basic calculation. The inclusion of any stock options, convertible preferred stock and unvested deferred stock would be antidilutive as Williams reported a loss from continuing operations for this period. As a result, approximately 1.7 million weighted-average stock options, approximately 14.7 million weighted-average shares related to the assumed conversion of 9 7/8 percent cumulative convertible preferred stock and approximately 3.2 million weighted-average unvested deferred shares that otherwise would have been included, have been excluded from the computation of diluted earnings per common share for the three months ended March 31, 2003.

For the three months ended March 31, 2002, approximately .8 million weighted-average shares related to the assumed conversion of 9 7/8 percent cumulative convertible preferred stock have been excluded from the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

8. Stock-based compensation

Employee stock-based awards are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Fixed-plan common stock options generally do not result in compensation expense because the exercise price of the stock options equals the market price of the underlying stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123 "Accounting for Stock-Based Compensation."

Three months ended March 31, (Millions)	2003	2002
Net income (loss), as reported	$ (814.5)	$ 107.7
Add: Stock-based employee compensation included in the Consolidated Statement of Operations, net of related tax effects	10.6	3.8
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(14.7)	(7.3)
Pro forma net income (loss)	$ (818.6)	$ 104.2
Earnings (loss) per share:		
Basic-as reported	$ (1.59)	$ .07
Basic-pro forma	$ (1.59)	$ .07
Diluted-as reported	$ (1.59)	$ .07
Diluted-pro forma	$ (1.59)	$ .07

Pro forma amounts for 2003 include compensation expense from Williams awards made in 2002 and 2001. Pro forma amounts for 2002 include compensation expense from certain Williams awards made in 1999 and compensation expense from Williams' awards made in 2002 and 2001.

Since compensation expense for stock options is recognized over the future years' vesting period for pro forma disclosure purposes and additional awards are generally made each year, pro forma amounts may not be representative of future years' amounts.

Notes (Continued)

9. Inventories

Inventories at March 31, 2003 and December 31, 2002 are as follows:

(Millions)	March 31, 2003	December 31, 2002
Raw materials:		
Crude oil	$ 31.1	$ 18.3
Finished goods:		
Refined products	68.3	73.6
Natural gas liquids	99.6	115.6
General merchandise	4.4	4.4
	172.3	193.6
Materials and supplies	104.6	105.8
Natural gas in underground storage	75.4	125.4
	$ 383.4	$ 443.1

Effective January 1, 2003, Williams adopted EITF Issue No. 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (see Note 3). As a result of initial application of this Issue, Williams reduced natural gas in underground storage by $37 million, refined products by $2.9 million and natural gas liquids by $1 million.

Notes (Continued)

10. Debt and banking arrangements

NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt at March 31, 2003 and December 31, 2002, is as follows:

(Millions)	Weighted-Average Interest Rate (1)	March 31, 2003	December 31, 2002
Secured notes payable (2)	5.4%	$ 967.6	$ 934.8
Long-term debt:			
Secured long-term debt			
Revolving credit loans	--%	$ --	$ 81.0
Debentures, 9.9%, payable 2020	9.9	28.7	28.7
Notes, 7.725%-9.45%, payable through 2022	8.3	545.9	558.8
Notes, adjustable rate, payable through 2007	7.1	264.6	183.2
Other, payable 2003	6.7	15.1	20.9
Unsecured long-term debt			
Debentures, 6.25%-10.25%, payable through 2031	7.4	1,548.6	1,548.2
Notes, 6.125%-9.25%, payable through 2032	(3) 7.8	9,675.2	9,500.5
Notes, adjustable rate, payable through 2004	5.3	494.7	759.9
Other, payable through 2006	5.6	130.9	158.1
Capital leases, payable through 2005	6.1	91.9	

139.9	------	
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	12,795.6	
	12,979.2	
	Long-term debt due within one year	
	(2,304.5)	
(1,082.8)	--	
----------	-	

Total long-term debt	$ 10,491.1	$ 11,896.4
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==========		

(1) At March 31, 2003.

(2) Interest rate for $954.6 million (RMT note payable) is based on the Eurodollar rate plus 4 percent per annum. The principal balance includes interest accruing to the note at a fixed rate of 14 percent compounded quarterly.

(3) Includes $1.1 billion of 6.5 percent notes, payable 2007 subject to remarketing in 2004 (FELINE PACS). If a remarketing is unsuccessful in 2004 and a second remarketing in February 2005 is unsuccessful as defined in the offering document of the FELINE PACS, then Williams could exercise its right to foreclose on the notes in order to satisfy the obligation of the holders of the equity forward contracts requiring the holder to purchase Williams common stock.

Notes (Continued)

REVOLVING CREDIT FACILITIES

Under the terms of Williams' revolving credit agreement (amended in July 2002, restated in October 2002, and amended in March 2003), Northwest Pipeline and Transco have access to $400 million and Texas Gas Transmission has access to $200 million, while Williams (Parent) has access to all unborrowed amounts. Interest rates vary based on LIBOR plus an applicable margin (which varies with Williams' senior unsecured credit ratings). During first-quarter 2003, Williams completed asset sales which reduced the commitments from participating banks in the revolving credit facility to $400 million. After 1) certain pre-existing debt with a balance of $294.2 million at March 31, 2003, is paid off and pre-existing letters of credit totaling $94.5 million at March 31, 2003, are cash collateralized ($67.3 million is cash collateralized at March 31, 2003) and 2) in certain circumstances, the letter of credit facility (discussed below) is collateralized, the commitments may be further reduced to zero as a result of additional asset sales. No amounts were outstanding under this agreement at March 31, 2003.

Changes to the revolving credit facility under the terms of the March 2003 amendment include: (i) a modified consolidated debt to consolidated net worth plus consolidated debt financial covenant to maintain the threshold at 68 percent from March 30, 2003 through June 30, 2003 and 65 percent after June 30, 2003, (rather than reducing from 68 percent to 65 percent at March 30, 2003), (ii) approval of additional asset sales, including the sales of Williams' investments in Williams Energy Partners L.P., Texas Gas pipeline system, Midstream Gas & Liquids' investments in four liquids pipelines and other miscellaneous assets and (iii) exclusion of the convenience stores and terminals from the Alaska assets pledged as collateral. At March 31, 2003, Williams' ratio of consolidated debt to consolidated net worth plus consolidated debt as defined in Williams' amended revolving credit facility was 65.1 percent. The ratio of interest expense plus cash flow to interest expense, as defined in the agreements, for the twelve months ended March 31, 2003, was 2.2. Failure to meet the required covenants of the revolving credit facility could become an event of default and could result in acceleration of amounts due under this facility and other company debt obligations with similar covenants, or for which there are certain provisions for cross-default in place.

In addition to the revolving credit facility discussed above, Williams Energy Partners L.P. has an $85 million unsecured revolving credit facility with no amounts outstanding at March 31, 2003.

LETTER OF CREDIT FACILITY -- $400 MILLION

Williams has a $400 million letter of credit facility that expires July 2003. Letters of credit totaling $383 million have been issued by the participating financial institutions under this facility at March 31, 2003. As of March 31, 2003, a total of $9.3 million letters of credit under this agreement have been cash collateralized.

ISSUANCES AND RETIREMENTS

Significant long-term debt, including capital leases, issuances and retirements, other than amounts under revolving credit agreements, for the three months ended March 31, 2003 are as follows:

Principal Issue/Terms	Due Date	Amount
		(Millions)
Issuances of long-term debt in 2003:		
8.125% senior notes	2010	$ 175.0
(Northwest Pipeline)		
Retirements/prepayments of long-term debt in 2003:		
Preferred interests	2003-2006	$ 139.0
Various capital leases	2005	48.0
Various notes, 8.55% - 9.45%	2003	13.0
Various notes, adjustable rate	2003-2004	154.1

Notes (Continued)

11. Contingent liabilities and commitments

RATE AND REGULATORY MATTERS AND RELATED LITIGATION

Williams' interstate pipeline subsidiaries have various regulatory proceedings pending. As a result of rulings in certain of these proceedings, a portion of the revenues of these subsidiaries has been collected subject to refund. The natural gas pipeline subsidiaries have accrued approximately $11 million for potential refund as of March 31, 2003.

Williams Energy Marketing & Trading Company (Energy Marketing & Trading) subsidiaries are engaged in power marketing in various geographic areas, including California. Prices charged for power by Williams and other traders and generators in California and other western states have been challenged in various proceedings including those before the FERC. In December 2002, the FERC issued an order which provided that, for the period between October 2, 2000 and December 31, 2002, the FERC may order refunds from Williams and other similarly situated companies if the FERC finds that the wholesale markets in California are unable to produce competitive, just and reasonable prices or that market power or other individual seller conduct is exercised to produce an unjust and unreasonable rate. The judge issued his findings in the refund case on December 12, 2002. Under these findings, Williams' refund obligation to the California Independent System Operator (ISO) is $192 million, excluding emissions costs and interest. The judge found that Williams' refund obligation to the California Power Exchange (PX) is $21.5 million, excluding interest. However, the judge found that the ISO owes Williams $246.8 million, excluding interest, and that the PX owes Williams $31.7 million, excluding interest, and $2.9 million in charge backs. The judge's findings do not include the $18 million in emissions costs that the judge found Williams is entitled to use as an offset to refund liability, and the judge's refund amounts are not based on final mitigated market clearing prices. On March 26, 2003, the FERC acted to largely adopt the judge's order with a change to the gas methodology used to set the clearing price. As a result, Energy Marketing & Trading recorded a charge for refund obligations of $37 million and recorded interest income related to amounts due from the counterparties of $33 million. Pursuant to an order from the 9th Circuit, FERC permitted the California parties to conduct additional discovery into market manipulation by sellers in the California markets. The California parties sought this discovery in order to potentially expand the scope of the refunds. On March 3, 2003, the California parties submitted evidence from this discovery on market manipulation. Williams and other sellers submitted comments to the additional evidence on March 20, 2003. The FERC is considering this evidence and is expected to issue further guidance later this year.

In an order issued June 19, 2001, the FERC implemented a revised price mitigation and market monitoring plan for wholesale power sales by all suppliers of electricity, including Williams, in spot markets for a region that includes California and ten other western states (the "Western Systems Coordinating Council," or "WSCC"). In general, the plan, which was in effect from June 20, 2001 through September 30, 2002, established a market clearing price for spot sales in all hours of the day that was based on the bid of the highest-cost gas-fired California generating unit that was needed to serve the ISO's load. When generation operating reserves fell below seven percent in California (a "reserve deficiency period"), absent cost-based justification for a higher price, the maximum price that Williams could charge for wholesale spot sales in the WSCC was the market clearing price. When generation operating reserves rose to seven percent or above in California, absent cost-based justification for a higher price, Williams' maximum price was limited to 85 percent of the highest hourly price that was in effect during the most recent reserve deficiency period. This methodology initially resulted in a maximum price of $92 per megawatt hour during non-emergency periods and $108 per megawatt hour during emergency periods. These maximum prices remained unchanged throughout summer and fall 2001. Revisions to the plan for the post-September 30, 2002, period were provided on July 17, 2002, as discussed below.

On December 19, 2001, the FERC reaffirmed its June 19 order with certain clarifications and modifications. It also altered the price mitigation methodology for spot market transactions for the WSCC market for the winter 2001 season and set the period maximum price at $108 per megawatt hour through April 30, 2002. Under the order, this price would be subject to being recalculated when the average gas price rises by a minimum factor of ten percent effective for the following trading day, but in no event would the maximum price drop below $108 per megawatt hour. The FERC also upheld a ten percent addition to the price applicable to sales into California to reflect credit risk. On July 9, 2002, the ISO's operating reserve levels dropped below seven percent for a full operating hour, during which the ISO declared a Stage 1 System Emergency resulting in a new Market Clearing Price cap of $57.14/MWh under the FERC's rules. On July 11, 2002, the FERC issued an order that the existing price mitigation formula be replaced with a hard price cap of $91.87/MWh for spot markets operated in the West (which is the level of price mitigation that existed prior to the July 9, 2002 events that reduced the cap), to be effective July 12, 2002. The cap expired September 30, 2002, but the cap was later extended by FERC to October 30, 2002.

On July 17, 2002, the FERC issued its first order on the California ISO's proposed market redesign. Key elements of the order include (1) maintaining indefinitely the current must-offer obligation across the West; (2) the adoption of Automatic Mitigation Procedures (AMP) to identify and limit excessive bids and local market power within California, (bids less than $91.87/MWh will not be subject to AMP); (3) a West-wide spot market bid cap of $250/MWh, beginning October 1, 2002, and continuing indefinitely; (4) a requirement that the ISO expedite the following market design elements and requiring them to be filed by October 21, 2002: (a) creation of an integrated day-ahead market; (b) ancillary services market reforms; and (c) hour-ahead and real-time market reforms; and (5) the development of locational marginal pricing (LMP). The FERC reaffirmed these elements in an order issued October 9, 2002, with the following clarification: (a) generators may bid above the ISO cap, but their bids cannot set the market clearing price and they will be subject to justification and refund, (b) if the market clearing price is projected to be above $91.87 per MWh in any zone, automatic mitigation will be triggered in all zones, (c) the 10 percent creditworthiness adder will be removed effective October 31, 2002. On January 17, 2003, FERC clarified that bids below $91.87 per MWh are not entitled to a safe harbor from mitigation, and where a seller is subject to the must-offer obligation but fails to submit a bid, the ISO may impose a proxy bid. On October 31, 2002, FERC found that the ISO has not explained how it will treat generators that are running at minimum load and dispatched for instructed energy. On December 2, 2002, the ISO proposed to pay for energy at minimum load the uninstructed energy price even when a unit is dispatched for instructed energy. Williams protested on January 2, 2003, arguing that the ISO's proposal fails to keep sellers whole.

In a separate but related proceeding, certain entities have also asked the FERC to revoke Williams' authority to sell power from California-based generating units at market-based rates, to limit Williams to cost-based rates for future sales from such units and to order refunds of excessive rates, with interest, retroactive to May 1, 2000, and possibly earlier.

The California Public Utilities Commission (CPUC) filed a complaint with the FERC on February 25, 2002, seeking to void or, alternatively, reform a number of the long-term power purchase contracts entered into between the State of California and several suppliers in 2001, including Energy Marketing & Trading. The CPUC alleges that the contracts are tainted with the exercise of market power and significantly exceed "just and reasonable" prices. The California Electricity Oversight Board (CEOB) made a similar filing on February 27, 2002. The FERC set the complaint for hearing on April 25, 2002, but held the hearing in abeyance pending settlement discussions before a FERC judge. The FERC also ordered that the higher public interest test will apply to the contracts. The FERC commented that the state has a very heavy burden to carry in proving its case. On July 17, 2002, the FERC denied rehearing of the April 25, 2002, order that set for hearing California's challenges to the long-term contracts entered into between the state and several suppliers, including Energy Marketing & Trading. The settlement discussions noted above have resulted in Williams entering into a settlement agreement with the State of California and other non-Federal parties that includes renegotiated long-term energy contracts. These contracts are made up of block energy sales, dispatchable products and a gas contract. The original contract contained only block energy sales. The settlement does not extend to criminal matters or matters of willful fraud, but will resolve civil complaints brought by the California Attorney General against Williams that are discussed below and the State of California's refund claims that are discussed above. Pursuant to the settlement, Williams also will provide consideration of $147 million over eight years and six gas powered electric turbines. In addition, the settlement is intended to resolve ongoing investigations by the States of California, Oregon and Washington. The settlement was reduced to writing and executed on November 11, 2002. The settlement closed on December 31, 2002, after FERC issued an order granting Williams' motion for partial dismissal from the refund proceedings. The dismissal affects Williams' refund obligations to the settling parties, but not to other parties, such as investor-owned utilities. Pursuant to the settlement, the CPUC and CEOB filed on January 13, 2003, a motion to withdraw their complaints against Williams regarding the original block energy sales contract. Private class action plaintiffs also executed the settlement. Various court filings and approvals are necessary to make the settlement effective as to plaintiffs and to terminate the class actions as to Williams.

On May 2, 2002, PacifiCorp filed a complaint against Energy Marketing & Trading seeking relief from rates contained in three separate confirmation agreements between PacifiCorp and Energy Marketing & Trading (known as the Summer 2002 90-Day Contracts). PacifiCorp filed similar complaints against three other suppliers. PacifiCorp alleges that the rates contained in the contracts are unjust and unreasonable. Energy Marking & Trading filed its answer on May 22, 2002, requesting that the FERC reject the complaint and deny the relief sought. On June 28, 2002, the FERC set PacifiCorp's complaints for hearing, but held the hearing in abeyance pending the outcome of settlement judge proceedings. If the case goes to hearing, the FERC stated that PacifiCorp will bear a heavy burden of proving that the extraordinary remedy of contract modification is justified. The FERC set a refund effective date of July 1, 2002. The hearing was conducted December 13 through December 20, 2002, at FERC. The judge issued an initial decision on February 27, 2003 dismissing the complaints. This decision has been appealed to the FERC and requests have been made to re-open the record.

On March 14, 2001, the FERC issued a Show Cause Order directing Energy Marketing & Trading and AES Southland, Inc. to show cause why they should not be found to have engaged in violations of the Federal Power Act and various agreements, and they were directed to make refunds in the aggregate of approximately $10.8 million and have certain conditions placed on Williams' market-based rate authority for sales from specific generating facilities in California for a limited period. On April 30, 2001, the FERC issued an Order approving a settlement of this proceeding. The settlement terminated the proceeding without making any findings of wrongdoing by Williams. Pursuant to the settlement, Williams agreed to refund $8 million to the ISO by crediting such amount against outstanding invoices. Williams also agreed to prospective conditions on its authority to make bulk power sales at market-based rates for certain limited facilities under which it has call rights for a one-year period. Williams also has been informed that the facts underlying this proceeding have been investigated by a California Grand Jury, and the investigation has been closed without the Grand Jury taking any action. As a result of federal court orders, FERC released the data it obtained from Williams that gave rise to the show cause order.

On December 11, 2002, the FERC staff informed Transcontinental Gas Pipe Line Corporation (Transco) of a number of issues the FERC staff identified during the course of a formal, nonpublic investigation into the relationship between Transco and its marketing affiliate, Energy Marketing & Trading. The FERC staff asserted that Energy Marketing & Trading personnel had access to Transco data bases and other information, and that Transco had failed to accurately post certain information on its electronic bulletin board. Williams, Transco and Energy Marketing & Trading did not agree with all of the FERC staff's allegations and furthermore believe that Energy Marketing & Trading did not profit from the alleged activities. Nevertheless, in order to avoid protracted litigation, on March 13, 2003, Williams, Transco and Energy Marketing & Trading executed a settlement of this matter with the FERC staff. An Order approving the settlement was issued by the FERC on March 17, 2003. No requests for rehearing of the March 17, 2003 order were filed; therefore, the order became final on April 16, 2003. Pursuant to the terms of the settlement agreement, Transco will pay a civil penalty in the amount of $20 million, beginning with a payment of $4 million within thirty (30) days of the date the FERC Order approving the settlement becomes final. The first payment is due by May 16, 2003, and the subsequent $4 million payments are due on or before the first, second, third and fourth anniversaries of the first payment. Transco recorded a charge to income and established a liability of $17 million in 2002 on a discounted basis to reflect the future payments to be made over the next four years. In addition, Transco has provided notice to its merchant sales service customers that it will be terminating such services when it is able to do so under the terms of any applicable contracts and FERC certificates authorizing such services. Most of these sales are made through a Firm Sales (FS) program, and under this program Transco must provide two-year advance notice of termination. Therefore, Transco notified the FS customers of its intention to terminate the FS service effective April 1, 2005. As part of the settlement, Energy Marketing & Trading has agreed, subject to certain exceptions, that it will not enter into new transportation agreements that would increase the transportation capacity it holds on certain affiliated interstate gas pipelines, including Transco. Finally, Transco and certain affiliates have agreed to the terms of a compliance plan designed to ensure future compliance with the provisions of the settlement agreement and the FERC's rules governing the relationship of Transco and Energy Marketing & Trading.

On August 1, 2002, the FERC issued a Notice of Proposed Rulemaking (NOPR) that proposes restrictions on various types of cash management programs employed by companies in the energy industry, such as Williams and its subsidiaries. In addition to stricter guidelines regarding the accounting for and documentation of cash management or cash pooling programs, the FERC proposal, if made final, would preclude public utilities, natural gas companies and oil pipeline companies from participating in such programs unless the parent company and its FERC-regulated affiliate maintain investment-grade credit ratings and that the FERC-regulated affiliate maintains stockholders equity of at least 30 percent of total capitalization. Williams' and its regulated gas pipelines' current credit ratings are not investment grade. Williams participated in comments in this proceeding on August 28, 2002, by the Interstate Natural Gas Association of America. On September 25, 2002, the FERC convened a technical conference to discuss the issues raised in the comments filed by parties in this proceeding, and a final rule is expected to be promulgated by FERC in the next several months.

On February 13, 2002, the FERC issued an Order Directing Staff Investigation commencing a proceeding titled Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices. Through the investigation, the FERC intends to determine whether "any entity, including Enron Corporation (Enron) (through any of its affiliates or subsidiaries), manipulated short-term prices for electric energy or natural gas in the West or otherwise exercised undue influence over wholesale electric prices in the West, since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West." This investigation does not constitute a Federal Power Act complaint; rather, the results of the investigation will be used by the FERC in any existing or subsequent Federal Power Act or Natural Gas Act complaint. The FERC Staff is directed to complete the investigation as soon as "is practicable." Williams, through many of its subsidiaries, is a

major supplier of natural gas and power in the West and, as such, anticipates being the subject of certain aspects of the investigation. Williams is cooperating with all data requests received in this proceeding. On May 8, 2002, Williams received an additional set of data requests from the FERC related to a disclosure by Enron of certain trading practices in which it may have been engaged in the California market. On May 21, and May 22, 2002, the FERC supplemented the request inquiring as to "wash" or "round trip" transactions. Williams responded on May 22, 2002, May 31, 2002, and June 5, 2002, to the data requests. On June 4, 2002, the FERC issued an order to Williams to show cause why its market-based rate authority should not be revoked as the FERC found that certain of Williams' responses related to the Enron trading practices constituted a failure to cooperate with the staff's investigation. Williams subsequently supplemented its responses to address the show cause order. On July 26, 2002, Williams received a letter from the FERC informing Williams that it had reviewed all of Williams' supplemental responses and concluded that Williams responded to the initial May 8, 2002 request.

In response to an article appearing in the New York Times on June 2, 2002, containing allegations by a former Williams employee that it had attempted to "corner" the natural gas market in California, and at Williams' invitation, the FERC is conducting an investigation into these allegations. Also, the Commodity Futures Trading Commission (CFTC) and the U.S. Department of Justice (DOJ) are conducting an investigation regarding gas and power trading and have requested information from Williams in connection with this investigation.

Williams disclosed on October 25, 2002, that certain of its gas traders had reported inaccurate information to a trade publication that published gas price indices. On November 8, 2002, Williams received a subpoena from a federal grand jury in Northern California seeking documents related to Williams' involvement in California markets, including its reporting to trade publications for both gas and power transactions. Williams is in the process of completing its response to the subpoena. The CFTC's and the DOJ's investigations into this matter are continuing.

On March 26, 2003, FERC issued an order addressing Enron trading practices, the allegation of cornering the gas market, and the gas price index issue. The March 26, 2003 order cleared Williams on the issue of cornering the market and contemplated or established further proceedings on the other two as to Williams and numerous other market participants.

On May 31, 2002, Williams received a request from the Securities and Exchange Commission (SEC) to voluntarily produce documents and information regarding "round-trip" trades for gas or power from January 1, 2000, to the present in the United States. On June 24, 2002, the SEC made an additional request for information including a request that Williams address the amount of Williams' credit, prudency and/or other reserves associated with its energy trading activities and the methods used to determine or calculate these reserves. The June 24, 2002, request also requested Williams' volumes, revenues, and earnings from its energy trading activities in the Western U.S. market. Williams has responded to the SEC's requests.

On July 3, 2002, the ISO announced fines against several energy producers including Williams, for failure to deliver electricity in 2001 as required. The ISO fined Williams $25.5 million, which will be offset against Williams' claims for payment from the ISO. Williams believes the vast majority of fines are not justified and has challenged the fines pursuant to the FERC approved process contained in the ISO tariff.

On December 3, 2002, an administrative law judge at the FERC issued an initial decision in Transco's general rate case which, among other things, rejects the recovery of the costs of Transco's Mobile Bay expansion project from its shippers on a "rolled-in" basis and finds that incremental pricing for the Mobile Bay expansion project is just and reasonable. The initial decision does not address the issue of the effective date for the change to incremental pricing, although Transco's rates reflecting recovery of the Mobile Bay expansion project costs on a "rolled-in" basis have been in effect since September 1, 2001. The administrative law judge's initial decision is subject to review by the FERC. Energy Marketing & Trading holds long-term transportation capacity on the Mobile Bay expansion project. If the FERC adopts the decision of the administrative law judge on the pricing of the Mobile Bay expansion project and also requires that the decision be implemented effective September 1, 2001, Energy Marketing & Trading could be subject to surcharges of approximately $22 million, including interest, for prior periods, in addition to increased costs going forward.

ENVIRONMENTAL MATTERS

Since 1989, Texas Gas Transmission Corporation (Texas Gas) and Transco have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transco has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At March 31, 2003, these subsidiaries had accrued liabilities totaling approximately $31 million for these costs.

Certain Williams' subsidiaries, including Texas Gas and Transco, have been identified as potentially responsible parties (PRP) at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. Although no assurances can be given, Williams does not believe that these obligations or the PRP status of these subsidiaries will have a material adverse effect on its financial position, results of operations or net cash flows. In the event the sale of Texas Gas to Loews Corporation is completed, Texas Gas' liability for clean-up at these sites will remain with Texas Gas.

Transco and Texas Gas have identified polychlorinated biphenyl contamination (PCB) in air compressor systems, soils and related properties at certain compressor station sites. Transco and Texas Gas have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Texas Gas and Transco. Texas Gas and Transco likewise had accrued liabilities for these costs which are included in the $31 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors. Liability for PCB contamination will remain with Texas Gas after the closing of its sale to Loews Corporation.

In addition to its Gas Pipelines, Williams and its subsidiaries, including those reported in discontinued operations, also accrue environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum and refining operations and for certain facilities related to former propane marketing operations primarily related to soil and groundwater contamination. In addition, Williams owns a discontinued petroleum refining facility that is being evaluated for potential remediation efforts. At March 31, 2003, Williams and its subsidiaries, including those reported in discontinued operations, had accrued liabilities totaling approximately $47 million for these costs. Williams and its subsidiaries, including those reported in discontinued operations, accrue receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At March 31, 2003, Williams and its subsidiaries, including those reported in discontinued operations, had accrued receivables totaling $1 million.

In connection with the 1987 sale of the assets of Agrico Chemical Company, Williams agreed to indemnify the purchaser for environmental cleanup costs resulting from certain conditions at specified locations, to the extent such costs exceed a specified amount. At March 31, 2003, Williams had approximately $9 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

On July 2, 2001, the EPA issued an information request asking for information on oil releases and discharges in any amount from Williams' pipelines, pipeline systems, and pipeline facilities used in the movement of oil or petroleum products, during the period from July 1, 1998 through July 2, 2001. In November 2001, Williams furnished its response.

In 2002, Williams Refining & Marketing, LLC (Williams Refining) submitted to the EPA a self-disclosure letter indicating noncompliance with the EPA's benzene waste "NESHAP" regulations. This unintentional noncompliance had occurred due to a regulatory interpretation that resulted in under-counting the total annual benzene level at the Memphis refinery. Also in 2002, the EPA conducted an all-media audit of the Memphis refinery. The EPA anticipates releasing a report of its audit findings in mid-2003. The EPA will likely assess a penalty on Williams Refining due to the benzene waste NESHAP issue, but the amount of any such penalty is not known. On March 4, 2003, Williams completed the sale of the Memphis refinery. Williams is obligated to indemnify the purchaser for any such penalty and accrued $2 million in connection with the sale for this obligation.

OTHER LEGAL MATTERS

In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transco and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. Transco, through its agent Energy Marketing & Trading, continues to purchase gas under contracts which extend, in some cases, through the life of the associated gas reserves. Certain of these contracts contain royalty indemnification provisions which have no carrying value. Producers have received and may receive other demands, which could result in claims pursuant to royalty indemnification provisions. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the agreement between the producer and either Transco or Texas Gas. Consequently, the potential maximum future payments under such indemnification provisions cannot be determined.

As a result of these settlements, Transco has been sued by certain producers seeking indemnification from Transco. Transco is currently defending two lawsuits in which producers have asserted damages, including interest calculated through March 31, 2003, of approximately $18 million.

On June 8, 2001, fourteen Williams entities were named as defendants in a nationwide class action lawsuit which had been pending against other defendants, generally pipeline and gathering companies, for more than one year. The plaintiffs allege that the defendants, including the Williams defendants, have engaged in mismeasurement techniques that distort the heating content of natural gas, resulting in an alleged underpayment of royalties to the class of producer plaintiffs. In September 2001, the plaintiffs voluntarily dismissed two of the fourteen Williams entities named as defendants in the lawsuit. In January 2002, most of the Williams defendants, along with a group of Coordinating Defendants, filed a motion to dismiss for lack of personal jurisdiction and other grounds. On August 19, 2002, the defendants' motion to dismiss on nonjurisdictional grounds was denied. On September 17, 2002, the plaintiffs filed a motion for class certification. The Williams entities joined with other defendants in contesting certification of the class. On April 10, 2003 the court denied the plaintiffs' motion for class certification. The motion to dismiss for lack of personal jurisdiction remains pending.

In 1998, the DOJ informed Williams that Jack Grynberg, an individual, had filed claims in the United States District Court for the District of Colorado under the False Claims Act against Williams and certain of its wholly owned subsidiaries. In connection with its sale of Kern River, the Company agreed to indemnify the purchaser for any liability relating to this claim, including legal fees. The maximum amount of future payments that Williams could potentially be required to pay under this indemnification depends upon the ultimate resolution of the claim and cannot currently be determined. No amounts have been accrued for this indemnification. Grynberg has also filed claims against approximately 300 other energy companies and alleged that the defendants violated the False Claims Act in connection with the measurement, royalty valuation and purchase of hydrocarbons. The relief sought was an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the DOJ announced that it was declining to intervene in any of the Grynberg qui tam cases, including the action filed against the Williams entities in the United States District Court for the District of Colorado. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg qui tam cases, including those filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes. On October 9, 2002, the court granted a motion to dismiss Grynberg's royalty valuation claims. Grynberg's measurement claims remain pending against Williams and the other defendants.

On August 6, 2002, Jack J. Grynberg, and Celeste C. Grynberg, Trustee on Behalf of the Rachel Susan Grynberg Trust, and the Stephen Mark Grynberg Trust, served The Williams Companies and Williams Production RMT Company with a complaint in the District Court in and for the City of Denver, State of Colorado. The complaint alleges that the defendants have used mismeasurement techniques that distort the BTU heating content of natural gas, resulting in the alleged underpayment of royalties to Grynberg and other independent natural gas producers. The complaint also alleges that defendants inappropriately took deductions from the gross value of their natural gas and made other royalty valuation errors. Theories for relief include breach of contract, breach of implied covenant of good faith and fair dealing, anticipatory repudiation, declaratory relief, equitable accounting, civil theft, deceptive trade practices, negligent misrepresentation, deceit based on fraud, conversion, breach of fiduciary duty, and violations of the state racketeering statute. Plaintiff is seeking actual damages of between $2 million and $20 million based on interest rate variations, and punitive damages in the amount of approximately $1.4 million dollars. On October 7, 2002, the Williams defendants filed a motion to stay the proceedings in this case based on the pendency of the False Claims Act litigation discussed in the preceding paragraph.

Williams and certain of its subsidiaries are named as defendants in various putative, nationwide class actions brought on behalf of all landowners on whose property the plaintiffs have alleged WilTel Communications Group, Inc. (WilTel) installed fiber-optic cable without the permission of the landowners. Williams and its subsidiaries have been dismissed from all of the cases.

In November 2000, class actions were filed in San Diego, California Superior Court by Pamela Gordon and Ruth Hendricks on behalf of San Diego rate payers against California power generators and traders including Williams Energy Services Company and Energy Marketing & Trading, subsidiaries of Williams. Three municipal water districts also filed a similar action on their own behalf. Other class actions have been filed on behalf of the people of California and on behalf of commercial restaurants in San Francisco Superior Court. These lawsuits result from the increase in wholesale power prices in California that began in the summer of 2000. Williams is also a defendant in other litigation arising out of California energy issues. The suits claim that the defendants acted to manipulate prices in violation of the California antitrust and unfair business practices statutes and other state and federal laws. Plaintiffs are seeking injunctive relief as well as restitution, disgorgement, appointment of a receiver, and damages, including treble damages. These cases have all been administratively consolidated in San Diego County Superior Court. As part of a comprehensive settlement with the State of California and other parties, Williams and the lead plaintiffs in these suits have resolved the claims. While the settlement is final as to the State of California, the San Diego Superior Court must still approve it as to the plaintiff ratepayers.

On May 2, 2001, the Lieutenant Governor of the State of California and Assemblywoman Barbara Matthews, acting in their individual capacities as members of the general public, filed suit against five companies and fourteen executive officers, including Energy Marketing & Trading and Williams' then current officers Keith Bailey, Chairman and CEO of Williams, Steve Malcolm, President and CEO of Williams Energy Services and an Executive Vice President of Williams, and Bill Hobbs, Senior Vice President of Williams Energy Marketing & Trading, in Los Angeles Superior State Court alleging State Antitrust and Fraudulent and Unfair Business Act Violations and seeking injunctive and declaratory relief, civil fines, treble damages and other relief, all in an unspecified amount. This case is being administratively consolidated with the other class actions in San Diego Superior Court. As part of a comprehensive settlement with the State of California and other parties, Williams and the lead plaintiffs in these suits have resolved the claims. While the settlement is final as to the State of California, the San Diego Superior Court must still approve it as to the plaintiffs in this suit.

On October 5, 2001, a suit was filed on behalf of California taxpayers and electric ratepayers in the Superior Court for the County of San Francisco against the Governor of California and 22 other defendants consisting of other state officials, utilities and generators, including Energy Marketing & Trading. The suit alleges that the long-term power contracts entered into by the state with generators are illegal and unenforceable on the basis of fraud, mistake, breach of duty, conflict of interest, failure to comply with law, commercial impossibility and change in circumstances. Remedies sought include rescission, reformation, injunction, and recovery of funds. Private plaintiffs have also brought five similar cases against Williams and others on similar grounds. These suits have all been removed to federal court, and plaintiffs are seeking to remand the cases to state court. In January, 2003, the federal district court granted the plaintiffs' motion to remand the case to San Diego Superior Court, but on February 20, 2003, the United States Court of Appeals for the Ninth Circuit, on its own motion, stayed the remand order pending its review of an appeal of the remand order by certain defendants. As part of a comprehensive settlement with the State of California and other parties, Williams and the lead plaintiffs in these suits have resolved the claims. While the settlement is final as to the State of California, once the jurisdictional issue is resolved, either the San Diego Superior Court or the United States District Court for the Southern District of California must still approve the settlement as to the plaintiff ratepayers and taxpayers.

Numerous shareholder class action suits have been filed against Williams in the United States District Court for the Northern District of Oklahoma. The majority of the suits allege that Williams and co-defendants, WilTel and certain corporate officers, have acted jointly and separately to inflate the stock price of both companies. Other suits allege similar causes of action related to a public offering in early January 2002, known as the FELINE PACS offering. These cases were filed against Williams, certain corporate officers, all members of the Williams board of directors and all of the offerings' underwriters. These cases have all been consolidated and an order has been issued requiring separate amended consolidated complaints by Williams and WilTel equity holders. The amended complaint of the WilTel securities holders was filed on September 27, 2002, and the amended complaint of the WMB securities holders was filed on October 7, 2002. This amendment added numerous claims related to Energy Marketing & Trading. In addition, four class action complaints have been filed against Williams and the members of its board of directors under the Employee Retirement Income Security Act by participants in Williams' 401(k) plan. A motion to consolidate these suits has been approved. Williams and other defendants have filed motions to dismiss each of these suits. Oral arguments on the motions were held in April 2003 and decisions are pending. Derivative shareholder suits have been filed in state court in Oklahoma, all based on similar allegations. On August 1, 2002, a motion to consolidate and a motion to stay these suits pending action by the federal court in the shareholder suits was approved.

On April 26, 2002, the Oklahoma Department of Securities issued an order initiating an investigation of Williams and WilTel regarding issues associated with the spin-off of WilTel and regarding the WilTel bankruptcy. Williams has committed to cooperate fully in the investigation.

On November 30, 2001, Shell Offshore, Inc. filed a complaint at the FERC against Williams Gas Processing -- Gulf Coast Company, L.P. (WGP), Williams Gulf Coast Gathering Company (WGCGC), Williams Field Services Company (WFS) and Transco, alleging concerted actions by the affiliates frustrating the FERC's regulation of Transco. The alleged actions are related to offers of gathering service by WFS and its subsidiaries on the recently spundown and deregulated North Padre Island offshore gathering system. On September 5, 2002, the FERC issued an order reasserting jurisdiction over that portion of the North Padre Island facilities previously transferred to WFS. The FERC also determined an unbundled gathering rate for service on these facilities which is to be collected by Transco. Transco, WGP, WGCGC and WFS believe their actions were reasonable and lawful and have sought rehearing of the FERC's order.

On October 23, 2002, Western Gas Resources, Inc. and its subsidiary, Lance Oil and Gas Company, Inc. filed suit against Williams Production RMT Company in District Court for Sheridan, Wyoming, claiming that the merger of Barrett Resources Corporation and Williams triggered a preferential right to purchase a portion of the coal bed methane development properties owned by Barrett in the Powder River Basin of northeastern Wyoming. In addition, Western claims that the merger triggered certain rights of Western to replace Barrett as operator of those properties. Mediation efforts are continuing and a trial date has been set for July 2004. The Company believes that the claims have no merit.

Williams Alaska Petroleum, Inc. (WAPI) is actively engaged in administrative litigation being conducted jointly by the FERC and the Regulatory Commission of Alaska concerning the Trans-Alaska Pipeline System (TAPS) Quality Bank. Primary issues being litigated include the appropriate valuation of the naphtha, heavy distillate, vacuum gas oil and residual product cuts within the TAPS Quality Bank as well as the appropriate retroactive effects of the determinations. WAPI's interest in these proceedings is material as the matter involves claims by crude producers and the State of Alaska for retroactive payments plus interest from WAPI in the range of $150 million to $200 million aggregate. Because of the complexity of the issues involved, however, the outcome cannot be predicted with certainty nor can the likely result be quantified.

Energy Marketing & Trading has paid and received various settlement amounts in conjunction with the liquidation of trading positions during 2002 and the first quarter of 2003. Additionally, one counterparty has disputed a settlement amount related to the liquidation of a trading position with Energy Marketing & Trading, and the amount is in excess of $100 million payable to Energy Marketing & Trading. The matter is being arbitrated. This counterparty, American Electric Power Company, Inc. (AEP), is a related party as a result of a director who serves on both Williams' and AEP's board of directors. Energy Marketing & Trading's net revenues from AEP were $264.6 million in 2002. At December 31, 2002, amounts due from and due to AEP were $215.1 million and $106.4 million, respectively. This information for 2002 corrects information previously disclosed by the Company. For the first quarter of 2003, there were no revenues.

In addition to the foregoing, various other proceedings are pending against Williams or its subsidiaries which are incidental to their operations.

SUMMARY

Litigation, arbitration, regulatory matters and environmental matters are subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income of the period in which the ruling occurs. Management, including internal counsel, currently believes that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers or other indemnification arrangements, will not have a materially adverse effect upon Williams' future financial position.

COMMITMENTS

Energy Marketing & Trading has entered into certain contracts giving it the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are currently in operation throughout the continental United States. At March 31, 2003, annual estimated committed payments under these contracts range from approximately $333 million to $462 million through 2018 and decline over the remaining four years to $60 million in 2022, resulting in total committed payments over the next 20 years of approximately $8 billion.

GUARANTEES

In 2001, Williams sold its investment in Ferrellgas Partners L.P. senior common units (Ferrellgas units). As part of the sale, Williams became party to a put agreement whereby the purchaser's lenders can unilaterally require Williams to repurchase the units upon nonpayment by the purchaser of its term loan due to its lender or failure or default by Williams under any of its debt obligations greater than $60 million. The maximum potential obligation under the put agreement at March 31, 2003, was $87.9 million. Williams' contingent obligation decreases as purchaser's payments are made to the lender. Collateral and other recourse provisions include the outstanding Ferrellgas units and a guarantee from Ferrellgas Partners L.P. to cover any shortfall from the sale of the Ferrellgas units at less than face value. The proceeds from the liquidation of the Ferrellgas units combined with the Ferrellgas Partners' guarantee should be sufficient to cover any required payment by Williams. The put agreement expires December 30, 2005. There have been no events of default and the purchaser has performed as required under payment terms with the lender. No amounts have been accrued for this contingent obligation as management believes it is not probable that Williams would be required to perform under this obligation.

In connection with the 1993 public offering of units in the Williams Coal Seam Gas Royalty Trust (Royalty Trust), Exploration & Production entered a gas purchase contract for the purchase of natural gas in which the Royalty Trust holds a net profits interest. Under this agreement, Exploration & Production guarantees a minimum purchase price that the Royalty Trust will realize in the calculation of its net profits interest. Exploration & Production has an annual option to discontinue this minimum purchase price guarantee and pay solely based on an index price. The maximum potential future exposure associated with this guarantee is not determinable because it is dependent upon natural gas prices and production volumes. No amounts have been accrued for this contingent obligation as the index price continues to exceed the minimum purchase price.

In connection with the 1987 sale of certain real estate assets associated with its Tulsa headquarters, Williams guaranteed 70 percent of the principal and interest payments through 2007 on revenue bonds issued by the purchaser to finance those assets. In the event that future operating results from these assets are not sufficient to make the principal and interest payments, Williams is required to fund that short-fall. The maximum potential future payments under this guarantee are $8.6 million, all of which is accrued at March 31, 2003.

In connection with the construction of a joint venture pipeline project, Williams guaranteed 50 percent of the joint venture's project financing in the event of nonpayment by the joint venture. Williams' maximum potential liability under this guarantee, based on the outstanding project financing at March 31, 2003, is $13.7 million. As additional borrowings are made under the $191.4 million project financing facility, Williams' maximum potential exposure will increase. This guarantee expires in March 2005, and no amounts have been accrued at March 31, 2003.

Williams Gas Pipeline Company, L.L.C. (WGP) has guaranteed commercial letters of credit totaling $16.9 million on behalf of ACCROVEN, an equity investee of Midstream Gas & Liquids. In the event that the financial institution is required to provide funding pursuant to the letters of credit, WGP would be required to reimburse the financial institution. These expire in January 2004, have no carrying value and are fully collateralized with cash.

Discovery Pipeline (Discovery) is a joint venture gas gathering and processing system. Williams has provided a guarantee in the event of nonperformance on 50 percent of Discovery's debt obligation, or approximately $126.9 million at March 31, 2003. Performance under the guarantee generally would occur upon a failure of payment by the financed entity or certain events of default related to the guarantor. These events of default primarily relate to bankruptcy and/or insolvency of the guarantor. The guarantee expires upon the maturity of the debt obligation at the end of 2003, and no amounts have been accrued as of March 31, 2003.

Williams has provided guarantees in the event of nonpayment by WilTel on certain lease performance obligations of WilTel that extend through 2042 and have a maximum potential exposure of approximately $53 million. Williams' exposure declines systematically throughout the remaining term of WilTel's obligations. At March 31, 2003, Williams has an accrued liability of $47.3 million for this guarantee.

Notes (Continued)

12. Comprehensive income (loss)

Comprehensive loss is as follows:

(Millions)	Three months ended March 31, 2003	2002
Net income (loss)	$ (814.5)	$ 107.7
Other comprehensive loss:		
Unrealized gains (losses) on securities	(4.2)	1.1
Unrealized losses on derivative instruments	(184.1)	(201.3)
Net reclassification into earnings of derivative instrument (gains) losses	15.3	(154.3)
Foreign currency translation adjustments	24.7	(1.4)
Other comprehensive loss before taxes and minority interest	(148.3)	(355.9)
Income tax benefit on other comprehensive loss	66.2	135.0
Other comprehensive loss	(82.1)	(220.9)
Comprehensive loss	$ (896.6)	$ (113.2)

Components of other comprehensive income (loss) before taxes related to discontinued operations are as follows:

(Millions)	Three months ended March 31, 2003	2002
Unrealized losses on derivative instruments	$ (.4)	$ (2.7)
Net reclassification into earnings of derivative instruments (gains) losses	.5	(1.6)

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Other comprehensive income (loss) before taxes related to discontinued operations	$ .1
	$ (4.3)
	========
	========

13. Segment disclosures

Segments

Williams' reportable segments are strategic business units that offer different products and services. The segments are managed separately, because each segment requires different technology, marketing strategies and industry knowledge. Other includes corporate operations.

Segments - Performance measurement

Williams currently evaluates performance based upon segment profit (loss) from operations which includes revenues from external and internal customers, operating costs and expenses, depreciation, depletion and amortization, equity earnings (losses) and income (loss) from investments including gains/losses on impairments related to investments accounted for under the equity method. Intersegment sales are generally accounted for as if the sales were to unaffiliated third parties, that is, at current market prices.

Energy Marketing & Trading has entered into intercompany interest rate swaps with the corporate parent, the effect of which is included in Energy Marketing & Trading's segment revenues and segment profit (loss) as shown in the reconciliation within the following tables. The results of interest rate swaps with external counterparties are shown as interest rate swap loss in the Consolidated Statement of Operations below operating income (loss).

The majority of energy commodity hedging by certain Williams' business units is done through intercompany derivatives with Energy Marketing & Trading which, in turn, enters into offsetting derivative contracts with unrelated third parties. Energy Marketing & Trading bears the counterparty performance risks associated with unrelated third parties.

The following tables reflect the reconciliation of revenues and operating income as reported in the Consolidated Statement of Operations to segment revenues and segment profit (loss).

Notes (Continued)

13. Segment disclosures (continued)

(MILLIONS)	Energy Exploration & Production	Midstream Gas & Liquids	Williams Energy Partners	Marketing Services	Gas & Energy Trading	Petroleum Pipeline	& Energy Marketing & Trading	Williams Pipeline Partners	Other	Eliminations	Total
THREE MONTHS ENDED MARCH 31, 2003											
Segment revenues:											
External	$ 3,511.4	$ 399.3	$ (7.1)	$ 1,115.7	$ 113.1	$ 227.4					
Internal	264.2	7.1	273.5	17.5	3.6	12.3					
Total segment revenues	3,775.6	406.4	266.4	1,133.2	116.7	239.7					
Less intercompany interest rate swap gain (loss)	(5.9)										
Total revenues	$ 3,781.5	$ 406.4	$ 266.4	$ 1,133.2	$ 116.7	$ 239.7					

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Segment
profit
(loss) $
(136.4) $
94.6 $
126.1 $
106.9 $
35.4 $ 22.1
Less:
Equity
earnings
(loss) --
1.7 2.1
(3.2) --
3.6
Intercompany
interest
rate swap
gain (loss)
(5.9) -- --
-- -- -- --

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Segment
operating
income
(loss) $
(130.5) $
92.9 $
124.0 $
110.1 $
35.4 $ 18.5

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General
corporate
expenses
Consolidated
operating
income
THREE
MONTHS
ENDED MARCH
31, 2002
Segment
revenues:
External $
583.9 $
367.5 $
17.6 $
386.3 $
78.3 $
181.3
Internal
(228.9)*
16.5 210.1
13.7 13.8
6.2 -------
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--- Total
segment
revenues
355.0 384.0
227.7 400.0
92.1 187.5

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--- -------
----- -----
------- ---
--------- -

Less
intercompany
interest
rate swap
gain (loss)
14.1 -- --
-- -- -- --

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----- -----
------- ---

Total
revenues $
340.9 $
384.0 $
227.7 $
400.0 $
92.1 $
187.5 -----
------- ---
--------- -

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Segment
profit
(loss) $
283.1 $
179.3 $
106.3 $
54.3 $ 26.9
$ 22.6
Less:
Equity
earnings
(loss)
(4.0) 19.5
(.4) 1.6 --
--
Intercompany
interest
rate swap
gain (loss)
14.1 -- --
-- -- -- --

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Segment
operating
income
(loss) $
273.0 $
159.8 $
106.7 $
52.7 $ 26.9
$ 22.6 ----
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General
corporate
expenses
Consolidated
operating
income

Other
Eliminations
Total -----
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THREE

MONTHS ENDED MARCH 31, 2003				
Segment revenues:				
External	$ 0.4	$ --	$ 5,360.2	
Internal	13.6	(591.8)	--	
Total segment revenues	14.0	(591.8)	5,360.2	
- Less intercompany interest rate swap gain (loss)	--	5.9	--	-
Total revenues	$ 14.0	$ (597.7)	$ 5,360.2	
- Segment profit (loss)	$ (0.3)	$ --	$ 248.4	
Less: Equity earnings (loss)	0.1	--	4.3	
Intercompany interest rate swap gain (loss)	--	--	(5.9)	
Segment operating income (loss)	$ (0.4)	$ --	$ 250.0	
- General corporate expenses			(22.9)	
Consolidated operating income			$ 227.1	

THREE MONTHS ENDED MARCH 31, 2002				
Segment revenues:				
External	$ 7.1	$ --	$ 1,622.0	
Internal	9.8	(41.2)	--	

Total segment revenues	16.9	(41.2)	1,622.0
- Less intercompany interest rate swap gain (loss)	--	(14.1)	--
Total revenues	$ 16.9	$ (27.1)	$ 1,622.0
Segment profit (loss)	$ (10.7)	$ --	$ 661.8
Less: Equity earnings (loss)	(9.2)	--	7.5
Intercompany interest rate swap gain (loss)	--	--	14.1
Segment operating income (loss)	$ (1.5)	$ --	640.2
General corporate expenses			(38.2)
Consolidated operating income			$ 602.0

* Prior to January 1, 2003, Energy Marketing & Trading intercompany cost of sales, which were netted in revenues consistent with fair-value accounting, exceeded intercompany revenue. Beginning January 1, 2003, EM&T intercompany cost of sales are no longer netted in revenues due to adoption of EITF 02-3 (see Note 3).

13. Segment disclosures (continued)

Total Assets ---		
-- (Millions)	March 31, 2003	December 31, 2002
Energy Marketing & Trading	$ 14,054.3	$ 12,533.2
Gas Pipeline	8,285.5	8,196.5
Exploration & Production	5,652.0	5,816.4
Midstream Gas & Liquids	5,129.6	5,027.0
Williams Energy Partners	1,117.1	1,110.2
Petroleum Services	1,147.2	1,189.6
Other	6,691.3	6,829.1
Eliminations	(6,840.6)	(6,694.8)
	35,236.4	34,007.2
Discontinued operations	205.9	981.3
Total	$ 35,442.3	$ 34,988.5

14. Subsequent events

In April 2003, Williams' board of directors approved plans authorizing management to negotiate and facilitate the sales pursuant to terms of proposed sales agreements of Texas Gas Transmission Corporation, Williams' general partner interest and limited partner equity interest in Williams Energy Partners, and certain natural gas exploration and production properties. Beginning in April 2003, the assets and liabilities of these operations will be classified as held for sale and Texas Gas and Williams Energy Partners will be reflected as discontinued operations.

On April 9, 2003, Williams announced it had signed a definitive agreement to sell certain natural gas exploration and production properties in Kansas, Colorado and New Mexico to XTO Energy Inc. for $400 million in cash. On April 24, 2003, Williams announced it had signed a definitive agreement to sell additional natural gas exploration and production properties in Utah for $48.6 million in cash to Berry Petroleum. These transactions are expected to close in second-quarter 2003 and are expected to result in estimated pre-tax gains totaling between $135 million to $145 million.

On April 14, 2003, Williams announced it had signed a definitive agreement to sell Texas Gas Transmission Corporation to Loews Pipeline Holding Corp. for $1.045 billion, which includes $795 million in cash to be paid to Williams and $250 million in debt that will remain at Texas Gas. The sale is expected to close in May 2003.

On April 21, 2003, Williams announced it had signed a definitive agreement to sell its general partner interest and limited partner equity interest in Williams Energy Partners to a newly formed entity owned by Madison Dearborn Partners, LLC, Carlyle/Riverstone Global Energy and Power Fund II, L.P. for $512 million in cash. In addition, this sale will result in the removal of $570 million of partnership debt from Williams' consolidated balance sheet. The sale is expected to close in June 2003 and is expected to result in a pre-tax gain of at least $285 million to $300 million.

The summarized assets and liabilities of these disposal groups reflected in the consolidated balance sheet at March 31, 2003, are as follows:

(Millions)	
Total current assets	$ 229.5
Property, plant and equipment	2,164.7
Other non-current assets	188.2
Total non-current assets	2,352.9
Total assets	$ 2,582.4
Long-term debt due within one year	$ 90.0
Other current liabilities	124.3
Total current liabilities	214.3
Long-term debt	729.7
Other non-current liabilities	464.7
Total liabilities	

$ 1,408.7

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

RECENT EVENTS AND COMPANY OUTLOOK

On February 20, 2003, Williams outlined its planned business strategy for the next few years. Williams believes it to be a comprehensive response to the events that have impacted the energy sector and Williams during 2002. The plan focuses on retaining a strong, but smaller, portfolio of natural gas businesses and bolstering Williams' liquidity through more asset sales, limited levels of financing at the Williams and subsidiary levels and additional reductions in its operating costs. The plan is designed to provide Williams with a clear strategy to address near-term and medium-term liquidity issues and further de-leverage the company with the objective of returning to investment grade status by 2005, while retaining businesses with favorable returns and opportunities for growth in the future.

Williams, at March 31, 2003, has maturing notes payable and long-term debt totaling approximately $3.5 billion (which includes certain contractual fees and deferred interest associated with an underlying debt) through the first quarter of 2004. Of that amount, approximately $1.15 billion is due in July associated with the RMT note payable. Williams expects to refinance a substantial portion of this obligation and use other financing or cash on hand to fund the payoff of the RMT note payable and related contractual fees. The remaining maturing notes and long-term debt are expected to be repaid with cash on hand and proceeds from asset sales. Long-term debt, excluding the current portion, at March 31, 2003 was approximately $10.5 billion, which includes $437 million of debt that is required to be repaid as assets sales are completed. See the Liquidity section for a maturity schedule of the long-term debt.

As part of the asset sales portion of the plan, Williams expects to generate proceeds, net of related debt, of nearly $4 billion from asset sales during 2003 and first-quarter 2004. Through March 31, 2003, Williams had received approximately $680 million in net proceeds from the sales of assets and businesses, including the retail travel centers and the Midsouth refinery. In April 2003, Williams announced that it had signed definitive agreements for the sales of the Texas Gas pipeline system, Williams' general partnership interest and limited partner investment in Williams Energy Partners, and certain natural gas exploration and production properties in Kansas, Colorado, New Mexico and Utah. All of these newly announced sales are expected to close in the second quarter. The sales anticipated to close in the second quarter 2003, including the bio-energy operations, are expected to generate net proceeds of approximately $2 billion. The additional assets and or businesses expected to be sold in 2003 include the Alaska refinery and related assets, certain assets within Midstream Gas & Liquids, the soda ash mining operations and various other non-core assets. The specific assets and the timing of such sales are dependent on various factors, including negotiations with prospective buyers, regulatory approvals, industry conditions, lender consents to sales of collateral and the short-and long-term liquidity requirements of Williams. While management believes it has considered all relevant information in assessing for potential impairments, the ultimate sales price for assets that may be sold and the final decisions in the future may result in additional impairments or losses and/or gains.

Williams continues its efforts to reduce its commitment to the Energy Marketing & Trading business. As part of these efforts, Energy Marketing & Trading has focused on managing its existing contractual commitments, while pursuing potential dispositions and restructuring of certain of its long-term contracts. Although management currently believes that the Company has the financial resources and liquidity to meet the expected cash requirements of Energy Marketing & Trading, the Company continues to pursue several specific transactions with interested parties involving the sales of portions of Energy Marketing & Trading's portfolio and would consider the sale or joint venture of all of the portfolio. It is possible that Williams, in order to generate levels of liquidity that are needed in the future, would be willing to accept amounts for all or a portion of its entire portfolio that are less than its carrying value at March 31, 2003.

The Company's available liquidity to meet maturing debt requirements and fund a reduced level of capital expenditures will be dependent on several factors, including the cash flows of retained businesses, the amount of proceeds raised from the sale of assets previously mentioned, the price of natural gas and capital spending. Future cash flows from operations may also be affected by the timing and nature of the sale of assets. Because of recent asset sales, anticipated asset sales, potential external financings, and available secured credit facilities, Williams currently believes that it has, or has access to, the financial resources and liquidity to meet future cash requirements through the first quarter of 2004.

The secured credit facilities require Williams to meet certain covenants and limitations as well as maintain certain financial ratios (see Note 10). Included in these covenants are provisions that limit the ability to incur future indebtedness, pledge assets and pay dividends on common stock. In addition, debt and related commitments must be reduced from the proceeds of asset sales and minimum levels of current and future liquidity must be maintained.

GENERAL

In accordance with the provisions related to discontinued operations within Statement of Financial Accounting Standard (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the consolidated financial statements and notes in Item 1 reflect the results of operations, financial position and cash flows, through the date of sale as applicable, of the following components as discontinued operations (see Note 6):

- Kern River Gas Transmission (Kern River), previously one of Gas Pipeline's segments
- Central natural gas pipeline, previously one of Gas Pipeline's segments
- Colorado soda ash mining operations, part of the previously reported International segment
- Two natural gas liquids pipeline systems, Mid-American Pipeline and Seminole Pipeline, previously part of the Midstream Gas & Liquids segment
- Refining and marketing operations in the Midsouth, including the Midsouth refinery, previously part of the Petroleum Services segment
- Retail travel centers concentrated in the Midsouth, previously part of the Petroleum Services segment
- Bio-energy operations, previously part of the Petroleum Services segment

Unless indicated otherwise, the following discussion and analysis of results of operations, financial condition and liquidity relates to the current continuing operations of Williams and should be read in conjunction with the consolidated financial statements and notes thereto included in Item 1 of this document and Williams' Annual Report on Form 10-K. The operations of Texas Gas and Williams Energy Partners will be reported as discontinued operations in the second quarter 2003.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

As noted in the 2002 Annual Report on Form 10-K, Williams' financial statements reflect the selection and application of accounting policies that require management to make significant estimates and assumptions. One of the critical judgment areas in the application of our accounting policies noted in the Form 10-K is the revenue recognition of energy risk management and trading operations. As a result of the application of the conclusions reached by the Emerging Issues Task Force in Issue No. 02-3, "Issues related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities," the methodology for revenue recognition related to energy risk management and trading activities changed January 1, 2003. Williams initially applied the consensus effective January 1,2003 and reported the initial application as a cumulative effect of a change in accounting principle. See Note 3 for a discussion of the impacts to Williams financial statements as a result of applying this consensus.

RESULTS OF OPERATIONS

Consolidated Overview

The following table and discussion is a summary of Williams' consolidated results of operations. The results of operations by segment are discussed in further detail following this consolidated overview discussion.

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	(MILLIONS)	
Revenues	$ 5,360.2	$ 1,622.0
Costs and expenses:		
Costs and operating expenses	4,847.7	816.7
Selling, general and administrative expenses	149.4	166.1
Other (income) expense-net	113.1	(1.0)
General corporate expenses	22.9	38.2
Total costs and expenses	5,133.1	1,020.0
Operating income	227.1	602.0
Interest accrued-net	(360.7)	(205.4)
Interest rate swap income (loss)	(2.8)	10.2
Investing income (loss)	48.0	(215.8)
Minority interest in income and preferred returns of consolidated subsidiaries	(16.1)	(15.1)
Other income (expense)-net	22.5	(4.5)
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	(82.0)	171.4
(Provision) benefit for income taxes		

24.3	(73.0)
Income (loss) from continuing operations	(57.7) 98.4
Income (loss) from discontinued operations	4.5 9.3
Income (loss) before cumulative effect of change in accounting principles	(53.2) 107.7
Cumulative effect of change in accounting principles	(761.3) --
Net income (loss)	(814.5) 107.7
Preferred stock dividends	6.8 69.7
Income (loss) applicable to common stock	$ (821.3) $ 38.0

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

Williams' revenue increased $3,738.2 million due primarily to increased revenues at Energy Marketing & Trading and Midstream Gas & Liquids as a result of the adoption of Emerging Issues Task Force (EITF) Issue 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading & Risk Management Activities", which requires that revenues and cost of sales from non-derivative contracts and certain physically settled derivative contracts to be reported on a gross basis. Prior to the adoption of EITF 02-3 on January 1, 2003, revenues related to non-derivative contracts were reported on a net basis. Revenues at Midstream Gas & Liquids also increased due to a $154 million increase in Canadian revenues and a $111 million increase from domestic gathering and processing activities, with both increases reflecting higher liquids sales prices.

Costs and operating expenses increased $4,031 million due primarily to the impact of reporting certain costs gross at Energy Marketing & Trading and Midstream Gas & Liquids, as discussed above. Costs and operating expenses at Midstream Gas & Liquids also increased $179 million due to higher fuel & shrink costs as a result of higher prices as well as $52 million of higher costs resulting from the consolidation of Gulf Liquids in mid-2002.

Selling, general and administrative expenses decreased $16.7 million due primarily to the impact of staff reductions at Energy Marketing & Trading and a $7 million favorable adjustment at Gas Pipeline for reductions to employee-related benefits accruals. These decreases are slightly offset by $11.8 million of expense at Energy Marketing & Trading related to the accelerated recognition of deferred compensation as a result of staff reductions and $8 million of bad debt expense at Midstream Gas & Liquids.

Other (income) expense - net in 2003 includes a $109 million impairment related to the Texas Gas pipeline system and an $8 million impairment of Alaska assets (see Note 4).

General corporate expenses decreased $15.3 million, or 40 percent, due primarily to lower advertising expenses and lower charitable contributions.

Operating income decreased $374.9 million, or 62 percent, due primarily to a $404 million decrease at Energy Marketing & Trading due to decreased gross margins from power, natural gas, petroleum products, and emerging products and a $67 million decrease at Gas Pipeline which is primarily due to the impairment for Texas Gas. These decreases to operating income are slightly offset by a $57 million increase at Midstream Gas & Liquids which is primarily attributable to increased operating profit from domestic gathering and processing operations.

Interest accrued - net increased $155.3 million, or 76 percent, due primarily to $89 million related to interest expense, including amortization of fees, on the RMT note payable, the $39 million effect of higher average interest rates, the $12 million effect of higher average borrowing levels and $15 million higher debt amortization expense.

The 2003 investing income increased $263.8 million as compared to the 2002 investing loss. Investing income (loss) for 2003 and 2002 consisted of the following components:

	Three months ended March 31,	
	2003	2002
Equity earnings*	$ 4.3	$ 7.5
Loss provision for WilTel receivables	--	(232.0)
Impairment of cost based investment	(12.0)	--
Interest income and other	55.7	8.7
Investing income (loss)	$ 48.0	$ (215.8)

* This item is also included in the measure of segment profit (loss).

Equity earnings for 2002 includes a net equity loss of $3.3 million related to equity method investments which were sold during 2002. The $232.0 million loss provision is related to the estimated recoverability of receivables from Wiltel Communications Group, Inc. (formerly Williams Communications Group, Inc.). The $12.0 million impairment of cost based investment relates to Algar Telecom S.A. (see Note 4). Interest income and other increased $47 million due primarily to a $41.4 million increase at Energy Marketing & Trading comprised primarily of interest income (substantial portion is related to prior periods) recorded as a result of recent FERC proceedings as well as a $2.0 million increase in interest income from margin deposits.

In 2002, Williams entered into interest rate swaps with external counter parties primarily in support of the energy trading portfolio (see Note 13). Williams has significantly reduced this activity.

Minority interest in income and preferred returns of consolidated subsidiaries in 2003 includes higher minority interest expense of $9.5 million related to Williams Energy Partners, LP which is offset by the absence of preferred returns totaling $7.5 million related to the preferred interests in Castle Associates L.P., Arctic Fox, L.L.C., Piceance Production Holdings LLC and Williams' Risk Holdings L.L.C.

Other income (expense) - net increased $27.0 million due primarily to a $12.5 million foreign currency transaction gain on a Canadian dollar denominated note receivable. Other income (expense) - net in 2002 included an $8 million loss related to early retirement of remarketable notes.

The provision (benefit) for income taxes was favorable by $97.3 million due primarily to a pre-tax loss in 2003 as compared to pre-tax income for 2002. The effective income tax rate for the three months ended March 31,

2003, is less than the federal statutory rate (less tax benefit) due largely to the effect of state income taxes associated with jurisdictions in which Williams files separate returns. The effective income tax rate for the three months ended March 31, 2002, is greater than the federal statutory rate due primarily to the effect of state income taxes.

Cumulative effect of change in accounting principles is an unfavorable amount in 2003 of $761.3 million which is comprised of a $762.5 million charge related to the adoption of EITF Issue No. 02-3 (see Note 3) offset by $1.2 million related to the adoption of SFAS No. 143 (see Note 3).

Income (loss) applicable to common stock in 2002 reflects the impact of $69.4 million associated with accounting for a preferred security that contains a conversion option that was beneficial to the purchaser at the time the security was issued.

RESULTS OF OPERATIONS-SEGMENTS

Williams is currently organized into the following segments: Energy Marketing & Trading, Gas Pipeline, Exploration & Production, Midstream Gas & Liquids, Williams Energy Partners and Petroleum Services. Williams currently evaluates performance based upon several measures including segment profit (loss) from operations (see Note 13). Segment profit of the operating companies may vary by quarter. The following discussions relate to the results of operations of Williams' segments.

ENERGY MARKETING & TRADING

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
(MILLIONS)		
Segment revenues	$ 3,775.6	$ 355.0
Segment profit (loss)	$ (136.4)	$ 283.1

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

ENERGY MARKETING & TRADING'S revenues and cost of sales increased by $3,420.6 million and $3,858.5 million respectively, which equates to a decrease in gross margin of $437.9 million. This significant increase in revenues and cost of sales is primarily a result of the adoption of Emerging Issues Task Force (EITF) Issue 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading & Risk Management Activities", which requires that revenues and cost of sales from non-derivative energy contracts and certain physically settled derivative contracts to be reported on a gross basis. Prior to the adoption of EITF 02-3 on January 1, 2003, revenues related to non-derivative energy contracts were reported on a net basis in trading revenues. As permitted by EITF 02-3, prior year amounts have not been restated.

On October 25, 2002, the Emerging Issues Task Force concluded on Issue No. 02-3, which rescinded Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" under which all energy trading contracts, derivative and non-derivative, were required to be valued at fair value with the net change in fair value of these contracts representing unrealized gains and losses reported in income currently and recorded as revenues in the Consolidated Statement of Operations. Energy contracts include forward contracts, futures contracts, options contracts, swap agreements, commodity inventories, short- and long-term purchase and sale commitments, which involve physical delivery of an energy commodity and energy-related contracts, such as transportation, storage, full requirements, load serving and power tolling contracts. Energy-related contracts that are not considered to be derivatives under SFAS 133 are no longer presented on the balance sheet at fair value. These contracts will now be reported under the accrual method of accounting. In addition, trading inventories will no longer be marked to market but will be reported on a lower of cost or market basis. Upon adoption of this new standard on January 1, 2003 Energy Marketing & Trading recorded an adjustment as a cumulative effect of change in accounting principle to remove

the previously reported fair value of non-derivative energy contracts from the balance sheet. Energy Marketing & Trading's portion of this change in accounting principle was approximately $755 million on an after-tax basis (see Note 3). Prior year amounts, however, have not been restated as permitted by EITF 02-3.

In general, Energy Marketing & Trading's results were adversely impacted in the first quarter by the absence of significant origination activities to date in 2003 as compared to 2002, seasonality in power tolling results, and certain adjustments and market movements against the portfolio as discussed below. Energy Marketing & Trading's ability to manage or hedge its portfolio against adverse market movements was limited by a lack of market liquidity as well as Williams' limited ability to provide adequate credit & liquidity support.

Energy Marketing & Trading's revenues increased by $3,420.6 million primarily as a result of a $3,670.2 million increase in non-trading revenues as a result of new gross reporting requirements as discussed above, partially offset by a $249.6 million decrease in trading revenues. Energy Marketing & Trading's gross margin decreased $437.9 million due to a $278.6 million decrease in power and natural gas gross margin, a $117.7 million decrease in petroleum products gross margin, a $28.8 million decrease in emerging products gross margin, and a $12.8 million decrease in European gross margin. The $278.6 million decrease in power and natural gas gross margin was primarily attributable to a $62.5 million decrease in power and gas origination revenue from first quarter 2002, unfavorable gross margins on tolling contracts from the seasonality related to months that traditionally have lower weather-related power demands, and a $37 million adjustment to increase the liability for rate refunds associated with recent FERC rulings related to California power and natural gas markets. The $117.7 million decrease in petroleum products gross margin is primarily attributable to a $118.8 million decrease in petroleum products origination activities from the first quarter 2002. The $28.8 million decrease in emerging products gross margin is primarily attributable to falling interest rates on forward interest rate positions that are marked to market. The $12.8 million decrease in European revenues is primarily related to winding down the European trading operations.

Energy Marketing & Trading's future results will continue to be affected by the reduction in liquidity available from its parent, the willingness of counterparties to enter into transactions with Energy Marketing & Trading, the liquidity of markets in which Energy Marketing & Trading transacts, and the creditworthiness of other counterparties in the industry and their ability to perform under contractual obligations. Since Williams is not currently rated investment grade by credit rating agencies Williams is required, in certain instances, to provide additional adequate assurances in the form of cash or credit support to enter into and maintain existing transactions. The financial and credit constraints of Williams will likely continue to result in Energy Marketing & Trading having exposure to market movements, which could result in additional operating losses. In addition, other companies in the energy trading and marketing sector are experiencing financial difficulties which will affect Energy Marketing & Trading's credit and default assessment related to the future value of its forward positions and the ability of such counterparties to perform under contractual obligations. The ultimate outcome of these items could result in future operating losses for Energy Marketing & Trading or limit Energy Marketing & Trading's ability to achieve profitable operations.

Selling, general, and administrative expenses decreased by $14.6 million, or 29 percent. This cost reduction is primarily due to the impact of staff reductions in the Energy Marketing & Trading business segment. Selling, general, and administrative costs for first quarter 2003 include approximately $13 million in costs associated with Energy Marketing & Trading's continued reductions in workforce. At March 31, 2003, Energy Marketing & Trading employed approximately 327 employees, compared with approximately 1,000 employees at March 31, 2002. As of May 1, 2003, the number of Energy Marketing & Trading employees was approximately 287. Additional staffing reductions are expected during 2003.

Segment profit (loss) decreased $419.5 million, or 148 percent, due primarily to decreased power, natural gas, petroleum products, and emerging products gross margins as discussed above, partially offset by the $14.6 million decrease in selling, general, and administrative expenses.

In the future, Energy Marketing & Trading's gross margins will be measured in three distinct categories: accrual, hedge, and mark to market. The accrual category will include revenues associated with non-derivative energy contracts, owned generation assets, and transactions with affiliate entities. The hedge category will include revenues associated with contracts that have been designated as SFAS 133 hedges. The mark to market category will include revenues associated with derivative contracts that have not been designated as or do not qualify for SFAS 133 hedge accounting treatment for which the change in fair value is recognized in the income statement.

GAS PIPELINE

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
(MILLIONS)		
Segment revenues	$ 406.4	$ 384.0
Segment profit	$ 94.6	$ 179.3

On April 14, 2003, Williams announced that it has signed a definitive agreement to sell Texas Gas Transmission Corporation (Texas Gas) to Loews Pipeline Holding Corp., a unit of Loews Corporation, for $1.045 billion, which includes $795 million in cash to be paid to Williams and $250 million in debt that will remain at Texas Gas and will be assumed by the buyer. The sale is expected to close in May 2003. As a result of the sale agreement, Williams Gas Pipeline recorded a pre-tax impairment charge of $109 million in the first quarter 2003. Pursuant to current accounting guidance, Texas Gas will be reclassified to discontinued operations beginning in the second quarter of 2003. Segment revenues of Texas Gas were $84.1 million and $80.1 million for the three months ended March 31, 2003 and 2002, respectively. Segment profit of Texas Gas was $52.5 million and $44.6 million for the three months ended March 31, 2003 and 2002, respectively.

For the purposes of first quarter 2003 reporting, Gas Pipeline's continuing operations include Northwest Pipeline Corporation, Texas Gas, Transcontinental Gas Pipe Line Corporation, a 50 percent interest in the Gulfstream Natural Gas System, L.L.C. and other joint venture interstate and intrastate natural gas pipeline systems. Certain assets sold during 2002 are included in the 2002 results. These assets include Cove Point, general partner interest in Northern Border, and our 14.6 percent interest in the Alliance Pipeline. These assets represented $3.6 million of revenues and $7.5 million of segment profit in 2002. Financial results related to Kern River Pipeline and the Central Pipeline, both of which were sold during 2002, are included in discontinued operations.

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

GAS PIPELINE'S revenues increased $22.4 million, or 6 percent, due primarily to $16 million higher demand revenues on the Transco system resulting from new expansion projects (MarketLink and Sundance) and higher rates in connection with rate proceedings that became effective in late 2002, $9 million on the Northwest Pipeline system resulting from new projects (Gray's Harbor, Centralia and Chehalis) and higher transportation revenues, $6 million higher recovery of tracked costs which are passed through to customers (offset in costs and operating expenses) and $4 million higher transportation revenues on the Texas Gas system. Partially offsetting these increases were $8 million lower gas exchange imbalance settlements (offset in costs and operating expenses) and $7 million lower storage revenues. Storage revenues decreased $3 million as a result of the September 2002 sale of the Cove Point facility.

Costs and operating expenses decreased $15 million, or 9 percent, due primarily to $8 million lower gas exchange imbalance settlements (offset in revenues) and $10 million lower fuel expense on Transco due primarily to pricing differentials related to the volumes of gas used in operation. These decreases were partially offset by $6 million higher tracked costs which are passed through to customers (offset in revenues).

General and administrative costs decreased $7 million, or 15 percent, due primarily to reductions to employee-related benefits accruals.

Other (income) expense - net in 2003 includes a $109 million impairment charge related to Texas Gas. The $109 million charge represents the excess carrying cost of the related long-lived assets over fair value pursuant to the terms of the sales agreement. Estimated costs to sell of approximately $7 million will be recognized in the second quarter 2003 when the operations become held for sale.

Segment profit, which includes equity earnings (included in investing income), decreased $84.7 million, or 47 percent, due primarily to the effect of the $109 million impairment charge in 2003 discussed previously in other

(income) expense - net and $17.8 million lower equity earnings. The decrease in equity earnings is due to $12 million lower earnings for Gulfstream Natural

Gas System and the absence of $6 million of equity earnings following the October 2002 sale of Gas Pipeline's 14.6 percent ownership in Alliance Pipeline. The lower earnings for Gulfstream Natural Gas System were primarily due to the absence in 2003 of interest capitalized on internally generated funds as allowed by the FERC during construction. The pipeline was placed into service during second-quarter 2002. These decreases were partially offset by the higher demand revenues, lower fuel costs and the $7 million decrease in general and administrative costs discussed above.

EXPLORATION & PRODUCTION

	THREE MONTHS ENDED MARCH 31,
	2003	2002
(MILLIONS)		
Segment revenues	$ 266.4	$ 227.7
Segment profit	$ 126.1	$ 106.3

On February 20, 2003, Williams announced that it was evaluating the sale of additional assets including Exploration & Production properties. On April 9, 2003, Williams announced that it had agreed to sell certain natural gas properties in Kansas, Colorado and New Mexico for $400 million. Also on April 24, 2003, Williams announced the sale of its Brundage Canyon properties in Utah for $49 million. The sales are expected to close in the second quarter and are expected to result in an estimated pre-tax gain between $135 million and $145 million. The properties being sold represented approximately 13 percent of Williams' proved domestic gas equivalent reserves at December 31, 2002. This transaction represents a substantial portion of the Exploration & Production assets targeted by Williams for sale in 2003. Due to these sales and potential remaining sales, future operating results could be impacted.

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

EXPLORATION & PRODUCTION'S revenues increased $38.7 million, or 17 percent, due primarily to $33 million higher domestic production revenues and $8 million higher domestic gas management revenues. The $33 million increase in production revenues includes $45 million from higher net realized average prices for production (including the effect of hedge positions) partially offset by $12 million due to a six percent decrease in net domestic production volumes following the sale of certain properties in 2002. Approximately 80 percent of domestic production in the first quarter 2003 was hedged. Exploration & Production has contracts that hedge approximately 90 percent of estimated production for the remainder of the year at prices that average $3.73 per mcfe. These contracts are entered into with Energy Marketing & Trading which in turn, enters into offsetting derivative contracts with unrelated third parties. Generally, Energy Marketing & Trading bears the counterparty performance risks associated with unrelated third parties. Exploration & Production also has derivative contracts with EM&T that no longer qualify or were never designated as hedges. The changes in fair value of these contracts are recognized in revenues. The total impact, realized and unrealized, of these instruments on 2003 revenues was $.8 million loss. These contracts include basis differential derivatives not designated with underlying production and certain de-designated derivatives in connection with the anticipated asset sales announced in February 2003, whereby the forecasted gas sales were no longer probable of occurring.

Domestic gas management revenues consist primarily of marketing activities within the Exploration & Production segment that are not a direct part of the results of operations for producing activities. These non-producing activities include acquisition and disposition of other working interest and royalty interest gas and the movement of gas from the wellhead to the tailgate of the respective plants for sale to Energy Marketing & Trading or third parties.

Costs and expenses, including selling, general and administrative expenses, increased $21 million due primarily to $9 million higher operating taxes, $8 million higher domestic gas management expenses and $7 million higher depreciation, depletion and amortization expense, partially offset by $6 million lower exploration expenses. The higher operating taxes corresponds with the higher domestic production revenues for first quarter 2003 over first quarter

2002. The higher depreciation, depletion and amortization is due to increased depletion rates as a result of changes in the reserve estimates based on year end reserve reports. The lower exploration expenses reflect the current focus of the company on developing proved properties while reducing exploratory activities.

Segment profit increased $19.8 million due primarily to higher net realized average prices on production and lower exploration expenses as well as an increase in International equity earnings of $2 million.

MIDSTREAM GAS & LIQUIDS

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
(MILLIONS)		
Segment revenues	$ 1,133.2	$ 400.0
Segment profit	$ 106.9	$ 54.3

Midstream Gas & Liquids has announced the intention to sell certain assets, including certain operations in Canada. Future assets sales would have the effect of lowering revenues in periods following their sale. Increasing profits from deepwater operations are expected to reduce the impact on segment profit resulting from these sales.

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

MIDSTREAM GAS & LIQUIDS' revenues increased $733 million, or 183 percent, due primarily to a $427 million effect of a change in the reporting of natural gas liquids trading activities for which costs are no longer netted in revenues as a result of the application of EITF Issue No. 02-3, combined with a $154 million increase in Canadian revenues and a $111 million increase in domestic gathering and processing revenues. The increase in Canadian revenues is due primarily to a $141 million increase in liquids sales from processing and fractionation facilities resulting from higher liquids sales prices and liquids sales resulting from the new olefin fractionation facility which was not fully operational in the first quarter of 2002. The increase in domestic gathering and processing revenues is due primarily to a $90 million increase in liquids sales resulting from a 100 percent increase in liquid sales prices. Also contributing to the increase in revenues was a $46 million increase in liquids and petrochemical sales from Gulf Coast olefin facilities due to the consolidation of Gulf Liquids operations, which was not a consolidated entity in the first quarter of 2002. Offsetting the increase in revenues was a $12 million decline in Venezuelan revenues due largely to curtailed operations resulting from a fire at one of the high-pressure gas compression facilities during February.

Costs and expenses increased $667 million, or 212 percent, due primarily to the $427 million effect of the change in reporting certain costs of natural gas liquids trading activities discussed above. Costs and expenses were also impacted by higher fuel and shrink costs at domestic and Canadian processing facilities of $54 million and $125 million, respectively, due primarily to higher natural gas prices. Also impacting costs and expenses were $52 million of product costs, depreciation and other operating and maintenance costs associated with the consolidation of Gulf Liquids operations, combined with a $14 million increase in Canadian depreciation and operations and maintenance costs due primarily to a full period of operations at the new olefins fractionation facility. Offsetting these increases is an $11 million decline in operation and maintenance costs from gathering and processing facilities within remaining domestic operations.

Selling, general and administrative expenses increased $8 million, reflecting an $8 million bad debt expense associated with a single customer within the Canadian operations and a $7 million increase due to Gulf Liquids and the Canadian olefins facility, partially offset by a decline in general and administrative costs in remaining Midstream Gas & Liquids operations.

Segment profit increased $52.6 million due primarily to a $69 million increase in operating profit from domestic gathering and processing operations, partially offset by a $6 million decline in Canadian operating results, a $6 million decline in Venezuela operating profit, and a $4 million decline in Gulf Coast olefin operating profit. The increase in domestic gathering and processing profits is due primarily to a $32 million increase in liquid sales margins from domestic processing plants within the western United States as a result of higher natural gas liquids sales prices and a favorable basis differential for natural gas within Wyoming which had the effect of lower fuel and shrink prices at processing facilities in this region. Management expects this favorable basis differential to tighten as additional transportation capacity for natural gas out of this region enters service during the second quarter of 2003. Also contributing to the increase in domestic gathering and processing profits was a $19 million increase associated with new deepwater operations, combined with

lower operations, maintenance and selling, general and administrative costs. Offsetting the increases in domestic gathering and processing operating profit is a $6 million decline in equity earnings from Discovery pipeline which reflects an $8 million charge associated with an adjustment recorded by Discovery to expense certain amounts previously capitalized during periods prior to Williams becoming the operator. The

decline in Gulf Coast olefin operating profit was due primarily to $11 million of losses at Gulf Liquids resulting from unfavorable margins and ongoing startup and operational issues, partially offset by a $7 million increase in petrochemical trading margins resulting from higher product prices. The $6 million decline in Canadian operating results includes the $8 million bad debt expense.

The $6 million decline in Venezuelan segment profit is due primarily to curtailed operations resulting from a fire at one of the high-pressure gas compression facilities, partially offset by an improvement in equity earnings from Accroven and lower foreign currency exchange losses as a result of currency exchange controls in place within Venezuela. The economic and political situation within Venezuela remains fluid and volatile but has not significantly impacted the operations or cash flow at our owned facilities. Contracts with PDVSA at these facilities provide for payment in U.S. dollars and contain provisions that provide for adjustments for inflation and minimum volume guarantees if the plants are operational.

WILLIAMS ENERGY PARTNERS

	THREE MONTHS ENDED MARCH 31,
	2003	2002
(MILLIONS)		
Segment revenues	$ 116.7	$ 92.1
Segment profit	$ 35.4	$ 26.9

On April 21, 2003, Williams announced it had signed a definitive agreement to sell its 54.6 percent ownership interest in Williams Energy Partners L.P. in a $1.1 billion transaction, which includes $512 million in cash to Williams and the removal of $570 million in debt from Williams' consolidated balance sheet. The buyer is a newly formed entity owned equally by Madison Dearborn Partners, LLC and Carlyle/Riverstone Global Energy and Power Fund II, L.P. The sale is scheduled to close in June 2003. Williams expects to recognize a pre-tax gain of at least $285 million to $300 million. This gain and the operations of Williams Energy Partners will be reported as discontinued operations beginning in second-quarter.

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

WILLIAMS ENERGY PARTNERS' revenues increased $24.6 million, or 27 percent, due primarily to higher petroleum products sales revenues reflecting higher average sales prices and higher transportation revenues as a result of increased average transportation rates and volumes within the Williams Pipe Line system.

Costs and operating expenses increased $21 million, or 41 percent, due primarily to increased costs associated with petroleum products purchases.

Segment profit increased $8.5 million, or 32 percent, due primarily to the increased Williams Pipe Line system rates and volumes, higher petroleum products margins and lower general and administrative costs due primarily to decreased costs allocated from Williams.

PETROLEUM SERVICES

	THREE MONTHS ENDED MARCH 31,
	2003	2002
(MILLIONS)		
Segment revenues	$ 239.7	$ 187.5

Segment profit
$ 22.1
22.6

Petroleum Services' continuing operations include North Pole, Alaska refining operations, retail operations from the 29 Williams Express convenience stores in Alaska, a 3.0845 percent undivided interest in the Trans-Alaska Pipeline System (TAPS) and transportation operations. Transportation operations include Williams' 32.1 percent interest in Longhorn Partners Pipeline LP (which is not yet operational) and gas liquids blending activities for the Williams Energy Partners segment. Williams has announced that it is pursuing the sale of its

operations in Alaska. If a sale is approved and other conditions are met, these operations would be reported as discontinued operations in the future.

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

PETROLEUM SERVICES' revenues increased $52.2 million, or 28 percent, due primarily to $56 million higher Alaska refining revenues resulting from 19 percent higher volumes sold and a significant increase in average refined product sales prices.

Costs and operating expenses increased $48 million, or 30 percent, due primarily to $50 million higher crude oil costs for the Alaska refinery reflecting the higher volumes and prices.

Other (income) expense-net in 2003 includes an $8 million impairment of the Alaska assets for which Williams intends to sell in 2003 (see Note 4).

Segment profit decreased $.5 million and reflects the $8 million impairment of Alaska assets, offset by higher operating profit from Alaska refining operations and a $3.8 million income adjustment for Longhorn's equity earnings resulting from a favorable adjustment to a 2002 estimate of Longhorn's 2002 results.

FAIR VALUE OF ENERGY RISK MANAGEMENT AND TRADING ACTIVITIES

The charts below reflect the fair value of energy derivatives for Energy Marketing & Trading and Midstream Gas & Liquids that have not been designated or do not qualify as SFAS 133 hedges, separated by the year in which the recorded fair value is expected to be realized. As of December 31, 2002, Energy Marketing & Trading reported a net asset of approximately $1,632 million related to the fair value of energy risk management and trading contracts. With the adoption of EITF 02-3 on January 1, 2003, approximately $1,193 million of that pre-tax fair value pertained to non-derivative energy contracts, and this amount was reported as a cumulative effect of a change in accounting principle.

(In millions)

TO BE REALIZED IN 1-12 MONTHS	TO BE REALIZED IN 13-36 MONTHS	TO BE REALIZED IN 37-60 MONTHS	TO BE REALIZED IN 61-120 MONTHS	TO BE REALIZED IN 121+ MONTHS	TOTAL FAIR VALUE - (YEAR 1)	(YEARS 2-3)	(YEARS 4-5)	(YEARS 6-10)	(YEARS 11+)
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	$ 89.5
	209.0
	172.7
	$ 81.6
	(77.8)
	$ 475.0

The $475 million net asset related to the fair value of derivative contracts that have not been designated as or do not qualify as SFAS 133 hedges at March 31, 2003 represents an approximate increase of 8 percent compared to a comparable carrying value at December 31, 2002.

Energy Marketing & Trading holds other derivatives designated as SFAS 133 cash flow hedges on behalf of other business units. As of March 31, 2003 the fair value of these derivatives was a net liability of approximately $126.8 million. Various other business units within Williams also possess certain SFAS 133 hedge assets of approximately $9.3 million. In addition, the table above does not reflect the fair value of non-derivative energy contracts that were reversed through the adjustment on January 1, 2003 reported as a cumulative effect of change in accounting principle.

Estimates and assumptions regarding counterparty performance and credit considerations

Energy Marketing & Trading and Midstream Gas & Liquids include in their estimate of fair value for all derivative contracts an assessment of the risk of counterparty non-performance. Such assessment considers the credit rating of each counterparty as represented by public rating agencies such as Standard & Poor's

and Moody's Investor's Service, the inherent default probabilities within these ratings, the regulatory environment that the contract is subject to, as well as the terms of each individual contract.

Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of the cash flows expected to be realized. Energy Marketing & Trading and Midstream Gas & Liquids continually assess this risk and have credit protection within various agreements to call on additional collateral support in the event of changes in the creditworthiness of the counterparty. Additional collateral support could include letters of credit, payment under margin agreements, guarantees of payment by creditworthy parties, or in some instances, transfers of the ownership interest in natural gas reserves or power generation assets. In addition, Energy Marketing & Trading and Midstream Gas & Liquids enter into netting agreements to mitigate counterparty performance and credit risk.

The gross forward credit exposure from Energy Marketing & Trading and Midstream Gas & Liquids' derivative contracts as of March 31, 2003 is summarized as below.

COUNTERPARTY TYPE	INVESTMENT GRADE (a)	TOTAL
	(MILLIONS)	
Gas and electric utilities	$ 1,107.0	$ 1,149.9
Energy marketers and traders	2,842.5	5,694.2
Financial Institutions	1,358.6	1,358.6
Other	1,978.6	1,997.0
	$ 7,286.7	10,199.7
Credit reserves		(52.6)
Gross credit exposure from derivative contracts	(b) $	10,147.1

In addition to the gross Energy Marketing & Trading and Midstream Gas & Liquids' derivative exposure discussed above, other business units within Williams have an additional $40.9 million in gross derivative asset exposure.

Energy Marketing & Trading and Midstream Gas & Liquids assess their credit exposure on a net basis when appropriate and contractually allowed. The net forward credit exposure from Energy Marketing & Trading and Midstream Gas & Liquids' derivative contracts as of March 31, 2003 is summarized below.

COUNTERPARTY TYPE	INVESTMENT GRADE (a)	TOTAL
	(MILLIONS)	
Gas and electric utilities	$ 656.2	$ 698.8
Energy		

marketers					
and traders	154.2	274.3			
Financial Institutions	53.3	53.3			
Other	23.1	36.3			
	$ 886.8	1,062.7			
Credit reserves			(52.6)		
Net credit exposure from derivative contracts (b)	$ 1,010.1				

- ---

(a) "Investment Grade" is primarily determined using publicly available credit ratings along with consideration of cash, standby letters of credit, parent company guarantees, and property interests, including oil and gas reserves. Included in "Investment Grade" are counterparties with a minimum Standard & Poor's and Moody's Investor's Service rating of BBB- or Baa3, respectively.

(b) One counterparty within the California power market represents greater than ten percent of derivative assets and is included in "Investment Grade." Standard & Poor's and Moody's Investor's Service do not currently rate this counterparty. This counterparty has been included in the "Investment Grade" column based upon contractual credit requirements in the event of assignment or novation.

The overall net credit exposure from derivative contracts of $1,010.1 at March 31, 2003 represents an overall decline in derivative credit exposure of approximately 18 percent on a comparable basis from December 31, 2002.

Certain of Energy Marketing & Trading's counterparties have experienced significant declines in their financial stability and creditworthiness which may adversely impact their ability to perform under contracts with Energy Marketing & Trading. In 2002 and 2003, Energy Marketing & Trading closed out certain trading positions with counterparties and has disputes associated with certain of these terminations. Credit constraints, declines in market liquidity, and financial instability of market participants, are expected to continue and potentially grow in 2003. Continued liquidity and credit constraints of Williams may also significantly impact Energy Marketing & Trading's ability to manage market risk and meet contractual obligations.

Electricity and natural gas markets, in California and elsewhere, continue to be subject to numerous and wide-ranging federal and state regulatory proceedings and investigations, as well as civil actions, regarding among other things, market structure, behavior of market participants, market prices, and reporting to trade publications. Energy Marketing & Trading may be liable for refunds and other damages and penalties as a part of these actions. Each of these matters as well as other regulatory and legal matters related to Energy Marketing & Trading are discussed in more detail in Note 11 to the Consolidated Financial Statements. The outcome of these matters could affect the creditworthiness and ability to perform contractual obligations of Energy Marketing & Trading as well as the creditworthiness and ability to perform contractual obligations of other market participants.

FINANCIAL CONDITION AND LIQUIDITY

LIQUIDITY

Williams' liquidity comes from both internal and external sources. Certain of those sources are available to Williams (the parent) and others are available to certain of its subsidiaries. Williams' sources of liquidity consist of the following:

- Cash-equivalent investments at the corporate level of $894 million at March 31, 2003, as compared to $1.3 billion at December 31, 2002. This does not include $228 million of restricted cash at March 31, 2003 that was returned to Williams in early April. This cash was part of the proceeds from the sale of the Midsouth refinery.

- Cash and cash-equivalent investments of various international and domestic entities other than Williams Energy Partners of $512 million at March 31, 2003 as compared to $354 million at December 31, 2002.

- Cash generated from sales of assets

- Cash generated from operations.

- $400 million available under Williams' revolving credit facility at March 31, 2003, as compared to $463 million at December 31, 2002. This decrease results from the reduction of commitments as a result of asset sales as provided in the agreement. This credit facility is available to the extent that it is not used to satisfy the financial ratios and other covenants under certain credit agreements. As discussed in Note 10 of Notes to Consolidated Financial Statements, the borrowing capacity under this facility will reduce as assets are sold.

- $17 million remaining at March 31, 2003, under a $400 million secured short-term letter of credit facility obtained in third-quarter 2002 and expiring in July 2003. The company is currently in negotiations to renew or replace this facility.

Williams has an effective shelf registration statement with the Securities and Exchange Commission that enables it to issue up to $3 billion of a variety of debt and equity securities. Since the filing of Williams' Form 10-K in March 2003, the debt capital markets have improved and Williams is evaluating the feasibility of utilizing this shelf availability.

In addition, there are outstanding registration statements filed with the Securities and Exchange Commission for Williams' wholly owned subsidiaries: Northwest Pipeline and Transcontinental Gas Pipe Line. As of May 12, 2003, approximately $350 million of shelf availability remains under these outstanding registration statements and may be used to issue a variety of debt securities. Interest rates, market conditions, and industry conditions will affect amounts raised, if any, in the capital markets. On March 4, 2003, Northwest Pipeline Corporation, a subsidiary of Williams, completed an offering of $175 million of 8.125 percent senior notes due 2010. The $350 million of shelf availability mentioned above is not affected by this offering.

Capital and investment expenditures for 2003 are estimated to total approximately $1 billion. Williams expects to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash on hand, (2) cash generated from operations, (3) the sale of assets, (4) issuance of debt by Williams or certain subsidiaries and/or (5) amounts available under Williams' revolving credit facility.

Outlook

Williams expects to generate proceeds, net of related debt, of nearly $4 billion from asset sales during 2003 and first-quarter 2004. On April 14, 2003, Williams announced that it signed a definitive agreement to sell its Texas Gas pipeline system to Loews Pipeline Holding Corporation for $1.045 billion, which includes $795 million in cash to be paid to Williams and $250 million in debt that will remain at Texas Gas. The sale is expected to close in May 2003. On April 21, 2003, Williams announced it had signed a definitive agreement to sell its 54.6 percent ownership interest in Williams Energy Partners L.P. in a $1.1 billion transaction, which includes $512 million in cash to Williams and

$570 million in debt that will remain at Williams Energy Partners. The buyer is a newly formed entity owned equally by Madison Dearborn Partners, LLC and Carlyle/Riverstone Global Energy and Power Fund II, L.P. The sale is scheduled to close in June, subject to standard closing conditions.

In addition to Texas Gas and Williams Energy Partners, Williams has also reached agreements to sell the following assets or energy-related contracts: 1) Certain natural gas exploration and production properties in Kansas, Colorado and New Mexico for $400 million to XTO Energy, Inc., 2) a full-requirements power agreement with Jackson Electric Membership Corporation for $188 million to Progress Energy, 3) equity interest in Williams Bio-Energy L.L.C. for approximately $75 million to a new company formed by Morgan Stanley Capital Partners, and 4) certain natural gas exploration and production properties in Utah for $49 million. The sales are all expected to close in second quarter 2003.

Based on the Company's forecast of cash flows and liquidity, Williams believes that it has, or has access to, the financial resources and liquidity to meet future cash requirements and satisfy current lending covenants through the first quarter of 2004. Included in this forecast are the expected proceeds, net of related debt, of nearly $4 billion from asset sales discussed above. For the remainder of 2003 and including periods through first-quarter 2004, the Company has scheduled debt retirements (which include certain contractual fees and deferred interest associated with an underlying debt) of approximately $3.5 billion. Realization of the proceeds from forecasted assets sales is a significant factor for the Company to satisfy its loan covenant which requires minimum levels of parent liquidity and to satisfy current scheduled debt maturities.

OPERATING ACTIVITIES

During first-quarter 2003, Williams recorded approximately $130 million in provisions for losses on property and other assets consisting primarily of the $109 million impairment of Texas Gas, the $12 million impairment of Algar Telecom S.A. and the $8 million impairment of the Alaska assets (see Note 4).

The accrual for fixed rate interest included in the RMT note payable represents the quarterly noncash reclassification of the deferred fixed rate interest from an accrued liability to the RMT note payable. The amortization of deferred set-up fee and fixed rate interest on the RMT note payable relates to amounts recognized in the income statement as interest expense, but generally will not be paid until maturity.

FINANCING ACTIVITIES

For a discussion of borrowings and repayments in 2003, see Note 10 of Notes to Consolidated Financial Statements.

Dividends paid on common stock are currently $.01 per common share. Additionally, one of the covenants within the current credit agreements limits the common stock dividends paid by Williams in any quarter to not more than $6.25 million.

Williams' long-term debt to debt-plus-equity ratio (excluding debt of discontinued operations) was 71.6 percent at March 31, 2003, compared to 70.2 percent at December 31, 2002. If short-term notes payable and long-term debt due within one year are included in the calculations, these ratios would be 76.9 percent at March 31 2003, and 73.4 percent at December 31, 2002. Additionally, the long-term debt to debt-plus-equity ratio as calculated for covenants under certain debt agreements was 65.1 percent at March 31, 2003, and 65.2 percent at December 31, 2002. See Note 10 for a discussion of changes to the credit agreement during March 2003.

Included in restricted cash is approximately $228 million that was required to be held by a collateral trustee following the sale of the Midsouth refinery. This cash was returned to Williams in April 2003.

INVESTING ACTIVITIES

For 2003, net cash proceeds from asset dispositions and the sales of businesses include the following:

- $453 million related to the sale of the Memphis refinery.
- $188 million related to the sale of the Williams travel centers.
- $40 million related to the sale of the Worthington facility

COMMITMENTS

The table below summarizes some of the more significant contractual obligations and commitments by period. These amounts do not reflect debt reductions contingent upon asset sales (see Note 10).

(Millions)	APRIL 1- DEC. 31, 2004	2005	2006	2007	THEREAFTER	TOTAL
Notes payable	$ 968(1)	$ --	$ --	$ --	$ --	$ 968
Long-term debt, including current portion	800	1,832	1,364(2)	1,030	855	6,823
Capital leases	12,704	--	--	92	--	92
Operating leases	40	29	18	11	9	26
Fuel conversion and other service contracts(3)	133	333	443	446	449	452
Total	$ 2,141	$ 2,304	$ 1,920	$ 1,490	$ 1,316	$ 12,366

(1) An additional $197 million will be paid at maturity of the RMT note payable related to a deferred set up fee and deferred interest.

(2) Includes $1.1 billion of 6.5 percent notes, payable 2007 subject to remarketing in 2004 (FELINE PACS). If the remarketing is unsuccessful in 2004 and a second remarketing in February 2005 is unsuccessful as defined in the offering document of the FELINE PACS, then Williams could exercise its right to foreclose on the notes in order to satisfy the obligation of the holders of the equity forward contracts requiring the holder to purchase Williams common stock.

(3) Energy Marketing & Trading has entered into certain contracts giving Williams the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are either currently in operation or are to be constructed at various locations throughout the continental United States.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Williams' interest rate risk exposure associated with the debt portfolio was impacted by debt payments and by a new debt issuance in March 2003. During the first quarter of 2003, Williams paid down approximately $360 million of debt including $112 million on the debt of Snow Goose LLC, and $200 million in other various notes. In March 2003, Northwest Pipeline Corporation, a subsidiary of Williams, through a private debt placement, issued $175 million of 8.125 percent notes payable 2010 (see Note 10).

COMMODITY PRICE RISK

Trading

Energy Marketing & Trading and Midstream Gas & Liquids have operations that incur commodity price risk as a consequence of providing price risk management services to third-party customers. This includes exposure to commodity price-risk associated with the natural gas, electricity, crude oil, refined products, and natural gas liquids markets in the United States and Canada. Derivative contracts that are not designated or do not qualify as hedges under SFAS 133 are valued at fair value and unrealized gains and losses from changes in fair value are recognized in income. Such derivative contracts are subject to risk from changes in energy commodity market prices, volatility and correlation of those commodity prices, the portfolio position of its contracts, the liquidity of the market in which the contract is transacted and changes in interest rates.

Energy Marketing & Trading and Midstream Gas & Liquids measure the market risk in their portfolio utilizing a value-at-risk methodology to estimate the potential one-day loss from adverse changes in the fair value of their portfolios. At March 31, 2003 and December 31, 2002, the value at risk for the derivative contracts that have not been designated or did not qualify as SFAS 133 hedges was approximately $29 million and $50 million, respectively. The adoption of EITF 02-3 resulted in non-derivative energy contracts no longer being accounted for and reported at fair value, therefore such contracts have not been included in the March 31, 2003 trading value at risk. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the portfolio. The value-at-risk model assumes that as a result of changes in commodity prices, there is a 95 percent probability that the one-day loss in fair value of the portfolio will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Value at risk does not consider that changing the portfolio in response to market conditions could affect market prices and could take longer to execute than the one-day holding period assumed in the value-at-risk model. While a one-day holding period has historically been the industry standard, a longer holding period could more accurately represent the true market risk in an environment where market illiquidity and credit and liquidity constraints of the company may result in further inability to mitigate risk in a timely manner in response to changes in market conditions.

Nontrading

Williams is also exposed to market risks from changes in energy commodity prices within Exploration & Production and Petroleum Services. Exploration & Production has commodity price risk associated with the sales prices of the natural gas and crude oil it produces. Petroleum Services' refinery is exposed to commodity price risk for crude oil purchases and refined product sales. Williams manages its exposure to certain of these commodity price risks through the use of derivative commodity instruments.

Williams' non-trading derivative commodity instruments primarily consist of natural gas price and basis swaps in its Exploration & Production business.

A value-at-risk methodology was used to measure the market risk of these derivative commodity instruments in the non-trading portfolio. It estimates the potential one-day loss from adverse changes in the fair value of these instruments. The value-at-risk model did not consider the underlying commodity positions to which these derivative commodity instruments relate; therefore, it is not representative of actual losses that could occur on a total non-trading portfolio basis that includes the underlying commodity positions. At March 31, 2003 and December 31, 2002, the value at risk for the non-trading derivative commodity instruments was approximately $27 million and $45 million, respectively. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the non-trading derivative commodity instruments. The value-at-risk model assumes that as a result of changes in commodity prices there is a 95 percent probability that the one-day loss in fair value of the non-trading derivative commodity instruments will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Gains and losses on these derivative commodity instruments would be substantially offset by corresponding gains and losses on the hedged commodity positions.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the design and operation of Williams' disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-14(c) of the Securities Exchange Act) was performed within the 90 days prior to the filing date of this report. This evaluation was performed under the supervision and with the participation of Williams' management, including Williams' Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, Williams' Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective.

There have been no significant changes in Williams' internal controls or other factors that could significantly affect internal controls since the certifying officers' most recent evaluation of those controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information called for by this item is provided in Note 11 Contingent liabilities and commitments included in the Notes to Consolidated Financial Statements included under Part I, Item 1. Financial Statements of this report, which information is incorporated by reference into this item.

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits listed below are filed as part of this report:

Exhibit 4.1 - Indenture dated March 4, 2003, between Northwest Pipeline Corporation and JP Morgan Chase Bank, as Trustee.

Exhibit 10.1--Purchase Agreement by and among Williams Gas Pipeline Company, LLC as Seller, The Williams Companies, Inc. and Loews Pipeline Holding Corp., as Buyer, for the purchase and sale of all the capital stock of Texas Gas Transmission Corporation, a Delaware Corporation, dated as of April 11, 2003.

Exhibit 10.2--Purchase and Sale Agreement between Williams Production RMT Company and Williams Production Company, L.L.C., as Seller, and XTO Energy Inc., as Buyer dated April 9, 2003.

Exhibit 10.3--Consent and Waiver dated January 22, 2003, under the Amended and Restated Credit Agreement dated as of October 31, 2002 among The Williams Companies, Inc., Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A., Bank of America N.A. and The Bank of Nova Scotia as issuing banks and the various lenders and other Persons from time to time party thereto, and the Collateral Trust Agreement dated as of July 31, 2002, among The Williams Companies, Inc. and certain of its subsidiaries in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the secured obligations, as amended by the First Amendment to Collateral Trust Agreement dated October 31, 2002.

Exhibit 10.4--Consent and Waiver dated January 22, 2003, under the First Amended and Restated Credit Agreement dated October 31, 2002 among The Williams Companies, Inc. Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, the financial institutions and other Persons from time to time party thereto, JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as agent, and the Collateral Trust Agreement, dated as of July 31, 2002, among The Williams Companies, Inc. and certain of its subsidiaries in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the secured obligations, as amended by that First Amendment to Collateral Trust Agreement dated October 31, 2002.

Exhibit 10.5--Amendment dated March 28, 2003 to the Amended and Restated Credit Agreement dated as of October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003, among The Williams Companies, Inc., Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A., Bank of America N.A. and The Bank of Nova Scotia as issuing banks and the various lenders and other Persons from time to time party thereto.

Exhibit 10.6--Amendment dated March 28, 2003 to the First Amended and Restated Credit Agreement dated October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003, among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, the financial institutions and other Persons from time to time party thereto, JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as agent.

Exhibit 12--Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.

Exhibit 99.1--Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Steven J. Malcolm, Chief Executive Officer of The Williams Companies, Inc.

Exhibit 99.2--Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Donald R. Chappel, Chief Financial Officer of The Williams Companies, Inc.

(b) During first-quarter 2003, Williams filed a Form 8-K on the following dates reporting events under the specified items: January 2, 2003 Item 9; January 9, 2003 Item 9; January 17, 2003 Item 5; January 24, 2003 Item 9; February 19, 2003 Item 9; February 21, 2003 Items 5, 7 and 9; March 6, 2003 Item 9; March 12, 2003 Item 9; March 19, 2003 Item 9; and March 21, 2003 Item 9.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WILLIAMS COMPANIES, INC.

(Registrant)

/s/ Gary R. Belitz

Gary R. Belitz
Controller
(Duly Authorized Officer and
Principal Accounting Officer)

May 13, 2003

Certifications

I, Steven J. Malcolm, President and Chief Executive Officer of The Williams Companies, Inc. ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Steven J. Malcolm

Steven J. Malcolm
President and Chief Executive Officer

Certifications

I, Donald R. Chappel, Senior Vice President - Finance and Chief Financial Officer of The Williams Companies, Inc. ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of registrant;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Donald R. Chappel

Donald R. Chappel
Senior Vice President - Finance
and Chief Financial Officer

INDEX TO EXHIBITS

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Exhibit 10.3--Consent and Waiver dated January 22, 2003, under the Amended and Restated Credit Agreement dated as of October 31, 2002 among The Williams Companies, Inc., Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A., Bank of America N.A. and The Bank of Nova Scotia as issuing banks and the various lenders and other Persons from time to time party thereto, and the Collateral Trust Agreement dated as of July 31, 2002, among The Williams Companies, Inc. and certain of its subsidiaries in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the secured obligations, as amended by the First Amendment to Collateral Trust Agreement dated October 31, 2002.

Exhibit 10.4--Consent and Waiver dated January 22, 2003, under the First Amended and Restated Credit Agreement dated October 31, 2002 among The Williams Companies, Inc. Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, the financial institutions and other Persons from time to time party thereto, JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as agent, and the Collateral Trust Agreement, dated as of July 31, 2002, among The Williams Companies, Inc. and certain of its subsidiaries in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the secured obligations, as amended by that First Amendment to Collateral Trust Agreement dated October 31, 2002.

Exhibit 10.5--Amendment dated March 28, 2003 to the Amended and Restated Credit Agreement dated as of October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003, among The Williams Companies, Inc., Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A., Bank of America N.A. and The Bank of Nova Scotia as issuing banks and the various lenders and other Persons from time to time party thereto.

Exhibit 10.6--Amendment dated March 28, 2003 to the First Amended and Restated Credit Agreement dated October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003, among The Williams Companies, Inc. Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, the financial institutions and other Persons from time to time party thereto, JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as agent.

Exhibit 12--Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.

Exhibit 99.1--Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Steven J. Malcolm, Chief Executive Officer of The Williams Companies, Inc.

Exhibit 99.2--Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Donald R. Chappel, Chief Financial Officer of The Williams Companies, Inc.

(b) During first-quarter 2003, Williams filed a Form 8-K on the following dates reporting events under the specified items: January 2, 2003 Item 9; January 9, 2003 Item 9; January 17, 2003 Item 5; January 24, 2003 Item 9; February 19, 2003 Item 9; February 21, 2003 Items 5, 7 and 9; March 6, 2003 Item 9; March 12, 2003 Item 9; March 19, 2003 Item 9; and March 21, 2003 Item 9.

EXHIBIT 4.1

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NORTHWEST PIPELINE CORPORATION
as Company

and

JPMORGAN CHASE BANK
as Trustee

INDENTURE

Dated as of March 4, 2003

Series A and Exchange

8 1/8% Senior Notes due 2010

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CROSS-REFERENCE TABLE*

TIA Section		Indenture Section
310	(a)(1)	6.10
	(a)(2)	6.10
	(a)(3)	N.A.
	(a)(4)	N.A.
	(a)(5)	6.10
	(b)	6.10
	(c)	N.A.
311	(a)	6.11
	(b)	6.11
	(c)	N.A.
312	(a)	2.05
	(b)	11.03
	(c)	11.03
313	(a)	6.06
	(b)	6.06
	(c)	6.06
	(d)	6.06
314	(a)(4)	3.04
	(b)	N.A.
	(c)(1)	N.A.
	(c)(2)	N.A.
	(c)(3)	N.A.
	(d)	N.A.
	(e)	10.05
	(f)	N.A.
315	(a)	N.A.
	(b)	N.A.
	(c)	N.A.
	(d)	N.A.
	(e)	N.A.
316	(a)(last sentence)	N.A.
	(a)(1)(A)	N.A.
	(a)(1)(B)	N.A.
	(a)(2)	N.A.
	(b)	N.A.
	(c)	N.A.
317	(a)(1)	N.A.
	(a)(2)	N.A.
	(b)	N.A.
318	(a)	N.A.
318	(c)	N.A.

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N.A. means not applicable
* This Cross-Reference Table is not part of the Indenture

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EXHIBITS

INDENTURE dated as of March 4, 2003 between Northwest Pipeline Corporation, a Delaware corporation (the "COMPANY") and JPMorgan Chase Bank, a New York banking corporation, as trustee (the "TRUSTEE").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's 8% Series A Senior Notes due 2010 (the "SERIES A NOTES") and 8% Exchange Senior Notes due 2010 (the "EXCHANGE NOTES" and together with the Series A Notes, the "NOTES").

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1. Definitions.

"ACQUIRED DEBT" means, with respect to any Person,

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"AFFILIATE" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"AGENT" means any Registrar or Paying Agent.

"ASSET SALE" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; provided that the sale, conveyance or other disposition of all or substantially

all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described in Section 3.11 and/or the provisions described in Article IV and not by the provisions of Section 3.12; and

(2) the issuance of Equity Interests in any of the Company's Restricted Subsidiaries or the sale of Equity Interests in any of its Restricted Subsidiaries.

Notwithstanding the preceding, the following items will not be deemed to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets having a fair market value of less than $2.0 million;

(2) a transfer of assets between or among the Company and its Restricted Subsidiaries,

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(4) the sale or lease of equipment, inventory, accounts receivable or other assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents;

(6) dispositions of accounts receivable and related assets to a Securitization Subsidiary in connection with a Permitted Receivables Financing;

(7) Sale and Leaseback Transactions; and

(8) a Restricted Payment or Permitted Investment that is permitted by Section 3.05.

"ATTRIBUTABLE DEBT" in respect of a Sale and Leaseback Transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP.

"AVAILABLE CASH FLOW FROM OPERATIONS" means for any period of the Company, Consolidated Cash Flow of the Company for such period, minus the sum of the following, each determined for such period on a consolidated basis:

(1) cash taxes for the Company and its Restricted Subsidiaries, including payments to the Company's Williams Group Affiliates in respect of taxes pursuant to tax sharing arrangements; plus

(2) cash interest expense paid by the Company and its Restricted Subsidiaries whether or not capitalized (including, without limitation, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations); plus

(3) additions to property, plant and equipment and other capital expenditures of the Company and its Restricted Subsidiaries that are (or would be) set forth in a consolidated statement of cash flows of the Company and its Restricted Subsidiaries for such period prepared in accordance with generally accepted accounting principles (except to the extent financed by the incurrence of Indebtedness); plus

(4) the aggregate principal amount of long-term Indebtedness repaid by the Company and its Restricted Subsidiaries and any short-term Indebtedness that financed capital expenditures referred to in clause (3) above, excluding any such repayments (i) under working capital facilities (except to the extent that such Indebtedness so repaid was incurred to finance capital expenditures as described in clause (3) above), (ii) out of Net Cash Proceeds of Asset Sales as provided in Section 3.12 and (iii) through a refinancing involving the incurrence of new long-term Indebtedness.

"BANKRUPTCY LAW" means Title 11, U.S. Code or any similar federal, state or foreign law for the relief of debtors.

"BENEFICIAL OWNER" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "BENEFICIALLY OWNS" and "BENEFICIALLY OWNED" have a corresponding meaning.

"BOARD OF DIRECTORS" means:

(1) with respect to a corporation, the board of directors of the corporation;

(2) with respect to a partnership, the board of directors of the general partner of the partnership; and

(3) with respect to any other Person, the board or committee of such Person serving a similar function.

"BUSINESS DAY" means any day that is not a Legal Holiday.

"CAPITAL LEASE OBLIGATION" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"CAPITAL STOCK" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"CASH EQUIVALENTS" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (provided that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(3) certificates of deposit and Eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding 365 days and overnight bank deposits and other similar types of investments routinely offered by commercial banks, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank or trust

company having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper having the highest rating obtainable from Moody's Investors Service, Inc. or Standard & Poor's Rating Services and in each case maturing within 270 days after the date of acquisition;

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and

(7) deposits available for withdrawal on demand with any commercial bank not meeting the qualifications specified in clause (3) above, provided that all such deposits are made in the ordinary course of business, do not remain on deposit for more than 30 consecutive days and do not exceed $10.0 million in the aggregate at any one time.

"CHANGE OF CONTROL" means the occurrence of any of the following:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act);

(2) the adoption of a plan relating to the liquidation or dissolution of the Company;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that (A) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than a Williams Group Affiliate, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares (B) any "person" or "group" (as defined above) (other than a trustee or other fiduciary holding securities under an employee benefit plan of Williams or any of its Subsidiaries) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of Williams, measured by voting power rather than number of shares;

(4) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors; or

(5) the Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of such Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance).

"CHANGE OF CONTROL OFFER" has the meaning assigned to such term in Section 9.09.

"COMMISSION" means the U.S. Securities and Exchange Commission.

"COMPANY" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Company" shall mean such successor Person.

"CONSOLIDATED CASH FLOW" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus (without duplication):

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; plus

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus

(3) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt,

commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income; plus

(4) depreciation, amortization (including amortization of goodwill and other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period) of such Person and its Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income; plus

(5) unrealized non-cash losses resulting from foreign currency balance sheet adjustments required by GAAP to the extent such losses were deducted in computing such Consolidated Net Income; plus

(6) all extraordinary, unusual or non-recurring items of gain or loss, or revenue or expense to the extent such gains or losses were added or deducted in computing such Consolidated Net Income.

in each case, on a consolidated basis and determined in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders;

(3) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition will be excluded; and

(4) the cumulative effect of a change in accounting principles will be excluded.

"CONSOLIDATED NET TANGIBLE ASSETS" means, with respect to any Person at any date of determination, the aggregate amount of total assets included in such Person's most recent quarterly or annual consolidated balance sheet prepared in accordance with GAAP less applicable reserves reflected in such balance sheet, after deducting the following amounts: (i) all current liabilities reflected in such balance sheet, and (ii) all goodwill, trademarks, patents, unamortized debt discounts and expenses and other like intangibles reflected in such balance sheet.

"CONSOLIDATED SUBSIDIARIES" means, with respect to any Person, all other Persons the financial statements of which are consolidated with those of such Person in accordance with generally accepted accounting principals.

"CONTINUING DIRECTORS" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the date of the Indenture; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"CORPORATE TRUST OFFICE OF THE TRUSTEE" means the office of the Trustee at which the corporate trust business of the Trustee shall be principally administered, which office shall initially be located at the address of the Trustee specified in Section 11.02 hereof and may be located at such other address as the Trustee may give notice to the Company and the Holders or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company.

"CREDIT AGREEMENT" means the First Amended and Restated Credit Agreement dated as of October 31, 2002, by and among The Williams Companies, Inc., the Company, Transcontinental Gas Pipe Line Corporation and Texas Gas Transmission Corporation as Borrowers and the banks named therein as Banks, JPMorgan Chase Bank and Commerzbank AG as Co-Syndication Agents, Credit Lyonnais New York Branch as Documentation Agent and Citicorp USA, Inc. as Agent and Salomon Smith Barney Inc. as Arranger, providing for up to $400

million of revolving credit borrowings to the Company, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended, modified, renewed, refunded, replaced or refinanced from time to time.

"CREDIT AGREEMENT REFINANCING DATE" means the first date after the date of the Indenture on which the Company's ability to enter into or suffer to exist restrictions on dividends and advances to its Williams Group Affiliates is no longer restricted pursuant to a credit facility or debt instrument to which any Williams Group Affiliates are parties from time to time, including without limitation pursuant to Section 5.02(d) of the Credit Agreement as in effect on the date of the Indenture.

"CREDIT FACILITIES" means, one or more debt facilities (including, without limitation, (1) the Credit Agreement and (2) one or more Permitted Receivables Financings) or commercial paper facilities, in each case with banks or other institutional lenders, or pursuant to intercompany loan or advance arrangements with Williams and/or Williams Gas Pipeline Company, LLC (provided that in the case of such arrangements with Williams and/or Williams Gas Pipeline Company, LLC that such arrangements are on terms consistent with practices in existence on the date of the Indenture) providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"CUSTODIAN" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"DEFAULT" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"DEPOSITARY" means The Depository Trust Company, its nominees and their respective successors.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not

constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 3.05.

"DOMESTIC RESTRICTED SUBSIDIARY" means any Restricted Subsidiary of the Company that was formed under the laws of the United States or any state of the United States or the District of Columbia or that guarantees or otherwise provides direct credit support for any Indebtedness of the Company.

"EQUITY INTERESTS" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and any successor statute.

"EXCHANGE NOTES" means the Company's 8% Senior Notes due 2010 to be issued pursuant to the Indenture in an Exchange Offer.

"EXCHANGE OFFER" means the offer that may be made by the Company pursuant to a Registration Rights Agreement to exchange Exchange Notes for Series A Notes.

"EXCHANGE OFFER REGISTRATION STATEMENT" means a registration statement under the Securities Act relating to an Exchange Offer, including the related prospectus.

"EXISTING INDEBTEDNESS" means up to $367.9 million in aggregate principal amount of Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of the Indenture, until such amounts are repaid.

"FIXED CHARGES" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, any premiums, fees, discounts, expenses and losses on the sale of accounts receivable (and any amortization thereof) in connection with a Permitted Receivables Financing, and net of the effect of all payments made or received

pursuant to Hedging Obligations; plus (2) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(3) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"FIXED CHARGE COVERAGE RATIO" means with respect to any specified Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases or redeems any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "CALCULATION DATE"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used in a Permitted Business) and Qualifying Expansion Projects that have been commenced by the specified Person or any of its Restricted Subsidiaries, and including in each case any related financing transactions (including repayment of Indebtedness) during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred or (in the case of any Qualifying Expansion Projects) been completed and in service on the

first day of the four-quarter reference period, including any Consolidated Cash Flow (including interest income reasonably anticipated by such Person to be received from Cash and Cash Equivalents held by such Person or any of its Restricted Subsidiaries) and any pro forma expense and cost reductions that have occurred or are reasonably expected to occur, in the reasonable judgment of the chief financial officer or chief accounting officer of the Company (regardless of whether those cost savings or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X promulgated under the Securities Act or any other regulation or policy of the Commission related thereto), but in the case of Qualifying Expansion Projects, only to the extent of Qualifying Expansion Project Amounts;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded; and

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of the Indenture.

"GUARANTEE" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"GUARANTOR" means any subsidiary of the Company that executes a Subsidiary Guarantee in accordance with the provisions of the Indenture and its successors and assigns.

"HEDGING OBLIGATIONS" means, with respect to any specified Person, the obligations of such Person incurred in the normal course of business and consistent with past practices and not for speculative purposes under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(2) foreign exchange contracts and currency protection agreements entered into with one of more financial institutions designed to protect the person or entity entering into the agreement against fluctuations in interest rates or currency exchanges rates with respect to Indebtedness incurred and not for purposes of speculation;

(3) any commodity futures contract, commodity option or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used by that entity at the time; and

(4) other agreements or arrangements designed to protect such person against fluctuations in interest rates or currency exchange rates.

"HOLDER" means a Person in whose name a Note is registered.

"INCREMENTAL FUNDS" has the meaning set forth in Section 3.05.

"INDEBTEDNESS" means, with respect to any specified Person, any obligation of such Person, whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable;

(6) representing any Hedging Obligations, or

(7) under Permitted Receivables Financings;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations and obligations in respect of Permitted Receivables Financings) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the

extent not otherwise included, the Guarantee by the specified Person of any indebtedness of any other Person.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) in the case of any Permitted Receivables Financing, the net unrecovered principal amount of the accounts receivable sold thereunder at such date, or other similar amount representing the principal financing amount thereof;

(3) in the case of any Hedging Obligation, the net amount payable if such Hedging Obligation is terminated at that time due to default by such Person (after giving effect to any contractually permitted set-off); and

(4) the principal amount of the Indebtedness in the case of any other Indebtedness.

"INDENTURE" means this Indenture as amended or supplemented from time to time.

"INDEPENDENT INVESTMENT BANKER" means Lehman Brothers Inc. or another independent investment banking institution of national standing appointed by the Company.

"INITIAL ISSUE DATE" means the first date on which the Series A Notes are issued under the Indenture.

"INITIAL PURCHASERS" means any initial purchasers of Series A Notes issued in connection with an offering under Rule 144A and/or Regulation S, including without limitation, the Original Initial Purchasers, as such in the Original Offering.

"INTEREST PAYMENT DATE" shall have the meaning assigned to such term in the Notes.

"INVESTMENT GRADE DATE" has the meaning set forth in Section 7.04.

"INVESTMENT GRADE RATING" means a rating equal to or higher than Baa3 by Moody's and BBB- by S&P.

"INVESTMENTS" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees (other than Guarantees of Indebtedness of the Company or any of its Guarantors to the extent permitted in Section 3.06), advances or capital contributions (excluding commission, travel and similar

advances to officers and employees made in the ordinary course of business and excluding trade payables of the Company and its subsidiaries arising in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in Section 3.05(d). The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in Section 3.05(d).

"LEGAL HOLIDAY" means a Saturday, a Sunday or a day on which banking institutions in New York, New York or a place of payment are authorized or obligated by law, regulation or executive order to remain closed.

"LIEN" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"LIQUIDATED DAMAGES" has the meaning given to such term in any Registration Rights Agreement.

"MAKE-WHOLE AMOUNT" with respect to a Note means an amount equal to the excess, if any, of (1) the present value of the remaining interest, premium and principal payments due on such Note (excluding any portion of such payments of interest accrued as of the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (2) the outstanding principal amount of such Note.

"MAKE-WHOLE AVERAGE LIFE" means the number of years (calculated to the nearest one-twelfth) between the date of redemption and the Stated Maturity of the Notes.

"MAKE-WHOLE PRICE" means the sum of the outstanding principal amount of the Notes to be redeemed plus the Make-Whole Amount of those Notes.

"MATURITY DATE" means, with respect to any Note, the date on which any principal of such Note becomes due and payable, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"MOODY'S" means Moody's Investors Service, Inc. and its successors.

"NET INCOME" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(1) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries; and

(2) any extraordinary gain (but not loss), together with any related provision for taxes on such extraordinary gain (but not loss).

"NET PROCEEDS" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale (as reasonably estimated by the Company), in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"NON-RECOURSE DEBT" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted

Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its stated maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"NOTES" means the Series A Notes and the Exchange Notes.

"NOTES CUSTODIAN" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"OBLIGATIONS" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"OFFICER" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman of the Board, any Vice President, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Assistant Secretary of a Person.

"OFFICERS' CERTIFICATE" means a certificate signed by two Officers of a Person, one of whom must be the Person's Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer or Treasurer.

"OPINION OF COUNSEL" means a written opinion from legal counsel who is acceptable to the Trustee. Such counsel may be an employee of or counsel to the Company or any parent corporation.

"ORIGINAL INITIAL PURCHASERS" means Lehman Brothers Inc., Banc of America Securities LLC, Credit Lyonnais Securities (USA) Inc., J.P. Morgan Securities Inc., Salomon Smith Barney Inc., Scotia Capital (USA) Inc., TD Securities (USA) Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated as initial purchasers of the Series A Notes in the Original Offering.

"ORIGINAL OFFERING" means the offering of the Series A Notes pursuant to the Original Offering Memorandum.

"ORIGINAL OFFERING MEMORANDUM" means the Offering Memorandum of the Company, dated February 27, 2003, relating to the offering of the Series A Notes.

"PERMITTED BUSINESS" means the lines of business conducted by the Company and its Restricted Subsidiaries on the date of the Indenture and any business incidental or reasonably related thereto or which is a reasonable extension thereof as determined in good faith by the Board of Directors of the Company and set forth in an Officer's Certificate delivered to the Trustee.

"PERMITTED INVESTMENTS" means:

(1) any Investment in the Company or in a Restricted Subsidiary of the Company;

(2) any Investment in Cash Equivalents;

(3) any Investment by the Company or any Subsidiary of the Company in a Person, if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary of the Company; or

(b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 3.12 or any non-cash consideration that was excluded from the definition of "Asset Sale" pursuant to clause (1) or (4) (for the sale or lease of equipment) pursuant to the second paragraph of such definition;

(5) any Investment in any Person solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;

(6) any purchase or other acquisition of senior debt of the Company or any Guarantor (other than Indebtedness that is subordinated to the Notes or the Subsidiary Guarantees);

(7) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;

(8) Hedging Obligations permitted to be incurred under Section 3.06;

(9) Investments in a Securitization Subsidiary that are necessary or desirable to effect any Permitted Receivables Financing; and

(10) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding not to exceed $10 million.

"PERMITTED LIENS" means:

(1) Liens of the Company and any Guarantor securing any Credit Facility that was permitted by the terms of the Indenture to be incurred and all Obligations and Hedging Obligations relating to such Indebtedness (but excluding any Credit Facility with Williams or any Williams Group Affiliate, as lender);

(2) Liens in favor of the Company or the Guarantors;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company or renewals or replacement of such Liens in connection with the incurrence of Permitted Refinancing Indebtedness to refinance Indebtedness secured by such Liens; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;

(4) Liens on property existing at the time of acquisition of the property by the Company or any Restricted Subsidiary of the Company or renewals or replacement of such Liens in connection with the incurrence of Permitted Refinancing Indebtedness to refinance Indebtedness secured by such Liens; provided that such Liens were in existence prior to the contemplation of such acquisition;

(5) Liens to secure the performance of tenders, bids, statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Section 3.06(b)(4) covering only the assets acquired with such Indebtedness;

(7) Liens existing on the date of the Indenture;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(9) Liens on assets of Unrestricted Subsidiaries that secure Non-Recourse Debt of Unrestricted Subsidiaries;

(10) Liens on accounts receivable and related assets and proceeds thereof arising in connection with a Permitted Receivables Financing; and

(11) Liens with respect to Indebtedness that at the time of incurrence does not exceed 10% of the Consolidated Net Tangible Assets of the Company.

"PERMITTED RECEIVABLES FINANCING" means any receivables financing facility or arrangement pursuant to which a Securitization Subsidiary purchases or otherwise acquires accounts receivable of the Company or any Restricted Subsidiaries and enters into a third party financing thereof on terms that the Board of Directors has concluded are customary and market terms fair to the Company and its Restricted Subsidiaries.

"PERMITTED REFINANCING INDEBTEDNESS" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith) and any premiums paid on the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded;

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes and any Subsidiary Guarantees, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of

payment to, the Notes and any Subsidiary Guarantees, as the case may be, on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by the Company or by the Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"PRIVATE EXCHANGE" means the offer by the Company to any of the Initial Purchasers to issue and deliver to such Initial Purchaser, in exchange for the Series A Notes held by such Initial Purchaser as part of its initial distribution, a like aggregate principal amount of Private Exchange Notes.

"PRIVATE EXCHANGE NOTES" means the Exchange Notes to be issued pursuant to the Indenture to an Initial Purchaser in a Private Exchange.

"PUBLIC EQUITY OFFERING" means an underwritten primary public offering, after the date of the Indenture, of Capital Stock (other than Disqualified Stock) of the Company pursuant to an effective registration statement under the Securities Act other than an issuance registered on Form S-4 or S-8 or any successor thereto or any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"QUALIFYING EXPANSION PROJECT" means any capital expansion project that has increased or will increase the physical capacity of the pipeline system of the Company and the Guarantors; provided that such project has been completed and the assets are in service at or the Company reasonably believes that the in-service date of the project will be within twelve months after the Calculation Date.

"QUALIFYING EXPANSION PROJECT AMOUNTS" means with respect to any calculation of pro forma amounts under the Fixed Charge Coverage Ratio additional revenues (if any) and related expenses for any Qualifying Expansion Project for the portion of the four-quarter period prior to the in-service date of such Qualifying Expansion Project (the "ESTIMATION PERIOD"); provided that revenues and related expenses anticipated from any Qualifying Expansion Project during any Estimation Period shall be included in such calculation only to the extent (1) of the portion of the capacity of such Qualifying Expansion Project that is committed under a long-term firm transportation contract on customary terms

(as determined in good faith by the Company) with a counterparty that has an Investment Grade Rating of its long-term debt from at least one of S&P and Moody's and (2) the aggregate amount of Qualifying Expansion Project Amounts for all Qualifying Expansion Projects included in any such calculation does not exceed 25% of the aggregate revenues of the Company and its Restricted Subsidiaries for such period, determined for this purpose on a pro forma basis but before inclusion of any Qualifying Expansion Project Amounts.

"RATING AGENCY" means each of S&P and Moody's, or if S&P or Moody's or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Company (as evidenced by a resolution of the Board of Directors), which shall be substituted for S&P or Moody's, or both, as the case may be.

"REDEMPTION DATE" when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture.

"REDEMPTION PRICE" shall have the meaning assigned to such term in the Notes.

"REGISTRATION RIGHTS AGREEMENT" means any registration rights agreement entered into by the Company relating to any Notes issued hereunder, including without limitation, the Registration Rights Agreement, dated as of March 4, 2003, among the Company and the Original Initial Purchasers.

"REGULATION S CERTIFICATE" means a letter to be delivered in connection with transfers pursuant to Regulation S substantially in the form attached to the Note.

"RESPONSIBLE OFFICER" means, when used with respect to the Trustee, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, or any trust officer or any other officer of the Trustee within the Institutional Trust Services-Conventional Debt Unit (or any successor unit, department or division of the Trustee) located at the Corporate Trust Office of the Trustee who has direct responsibility for the administration of this Indenture, and, for the purposes of Section 6.01(c)(ii) and Section 6.05 hereof, shall also include any other officer of the Trustee to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"RESTRICTED INVESTMENT" means an Investment other than a Permitted Investment.

"RESTRICTED SUBSIDIARY" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"RULE 144A CERTIFICATE" means a certificate to be completed by a purchaser of a Note in reliance on Rule 144A substantially in the form attached to the Note.

"S&P" means Standard and Poor's, a division of The McGraw-Hill Companies, Inc., and its successors.

"SALE AND LEASEBACK TRANSACTION" means any arrangement with any Person (other than the Company or a Subsidiary), or to which any such Person is a party, providing for the leasing, pursuant to a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP, to the Company or a Restricted Subsidiary of any property or asset which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person (other than the Company or a Subsidiary), to which funds have been or are to be advanced by such Person.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended, and any successor statute.

"SECURITIZATION SUBSIDIARY" means a Subsidiary of the Company (1) that is designated a "Securitization Subsidiary" by the Board of Directors, (2) that does not engage in, and whose charter prohibits it from engaging in, any activities other than Permitted Receivables Financings and any activity necessary, incidental or related thereto, (3) no portion of the Debt or any other obligation, contingent or otherwise, of which (A) is Guaranteed by the Company or any Restricted Subsidiary of the Company, (B) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way, or (C) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, (4) with respect to which neither the Company nor any Restricted Subsidiary of the Company (other than an Unrestricted Subsidiary) has any obligation to maintain or preserve such its financial condition or cause it to achieve certain levels of operating results other than, in respect of clauses (3) and (4), pursuant to customary representations, warranties, covenants and indemnities entered into in connection with a Permitted Receivables Financing.

"SERIES A NOTES" means the Company's 8% Series A Notes due 2010, to be issued pursuant to the Indenture.

"SHELF REGISTRATION STATEMENT" means a registration statement to be filed by the Company, in connection with the offer and sale of Series A Notes or Private Exchange Notes, pursuant to a Registration Rights Agreement.

"SIGNIFICANT SUBSIDIARY" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

"STATED MATURITY" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"SUBSIDIARY" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"SUBSIDIARY GUARANTEE" means each Guarantee of the Notes issued by a Guarantor pursuant to the Indenture.

"TIA" means the Trust Indenture Act of 1939, as amended (15 U.S.C. Sections 77aaa-77bbbb), as in effect on the Initial Issue Date.

"TRANSFER RESTRICTED NOTES" with respect to any Notes, has the meaning given to such term in the Registration Rights Agreement applicable to such Notes.

"TREASURY RATE" means the yield to maturity (calculated on a semi-annual bond-equivalent basis) as determined by the Independent Investment Banker at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (510), which has become publicly available at least two business days prior to the date of the redemption notice or, if such statistical release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of the Notes; provided that if the Make-Whole Average Life of such Note is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the

Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Note is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"TRUSTEE" means the party named as such above until a successor replaces it in accordance with the applicable provisions of the Indenture and thereafter means the successor serving hereunder.

"U.S. GOVERNMENT OBLIGATIONS" means direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

"UNRESTRICTED SUBSIDIARY" means (1) any Securitization Subsidiary, (2) NWP Enterprises, LLC, (3) NWP Enterprises, Inc., or (4) any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 3.05. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and

any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 3.06, the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under Section 3.06, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"VOTING STOCK" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"WEIGHTED AVERAGE LIFE TO MATURITY" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"WILLIAMS" means The Williams Companies, Inc.

"WILLIAMS GROUP AFFILIATES" means Williams and its Subsidiaries other than the Company and its Subsidiaries.

SECTION 1.2. Other Definitions.

TERM	DEFINED IN SECTION
Affiliate Transaction	3.13(a)
Agent Members	2.01(c)
Asset Sale Offer	3.12(c)
Change of Control Payment	3.11(a)
Change of Control Payment Date	9.09(b)
Covenant Defeasance	7.03(a)
DTC	2.03

TERM	DEFINED IN SECTION
Event of Default	5.01
Excess Proceeds	3.12(c)
Global Note	2.01(b)
Incremental Funds	3.05(a)
Investment Grade Date	7.04
Legal Defeasance	7.02(a)
Paying Agent	2.03
Payment Default	5.01(a)
Permitted Debt	3.06(b)
Pipeline Business	4.01(b)
Purchase Amount	9.09(b)
Registrar	2.03
Regulation S	2.01(b)
Restricted Notes Legend	2.01(a)
Restricted Payments	3.05(a)
Rule 144A	2.01(b)

SECTION 1.3. Incorporation by Reference of Trust Indenture Act . Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"COMMISSION" means the Commission.

"INDENTURE SECURITIES" means the Notes.

"INDENTURE SECURITY HOLDER" means a Holder.

"INDENTURE TO BE QUALIFIED" means this Indenture.

"INDENTURE TRUSTEE" or "INSTITUTIONAL TRUSTEE" means the Trustee.

"OBLIGOR" on the indenture securities means the Company.

All terms used in this Indenture that are defined by the TIA, defined by a TIA reference to another statute or defined by an SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.4. Rules of Construction. Unless the context otherwise requires:

(a a term has the meaning assigned to it;

(b an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(c "or" is not exclusive;

(d words in the singular include the plural, and in the plural include the singular; and

(e provisions apply to successive events and transactions.

ARTICLE 2

THE NOTES

SECTION 2.1. Form and Dating. (a General. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A to the Indenture, the terms of which are hereby incorporated into the Indenture. The Notes may have notations, legends or endorsements required by law, securities exchange rule, the Company's certificate of incorporation, memorandum of association, articles of association, other organizational documents, agreements to which the Company is subject, if any, or usage, provided that any such notation, legend or endorsement is in a form acceptable to the Company. The Notes shall be in registered form without coupons and only in denominations of $1,000 and any integral multiples thereof. The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of the Indenture and to the extent applicable, the Company, by its execution and delivery of the Indenture, expressly agrees to such terms and provisions and to be bound thereby. The Notes shall be dated the date of their authentication.

(b) Global Notes. Series A Notes offered and sold (i) to QIBs in reliance on Rule 144A under the Securities Act ("RULE 144A") shall be issued initially in the form of one or more permanent global Notes in definitive, fully registered form without interest coupons with the global securities legend and restricted securities legend (the "RESTRICTED NOTES LEGEND") set forth in Section 2.06 (each, a "RULE 144A GLOBAL NOTE") and (ii) in reliance on Regulation S under the Securities Act ("REGULATION S") shall be issued initially in the form of one or more permanent global notes with the global securities legend and restricted securities legend set forth in Section 2.06 (each, a "REGULATION S GLOBAL NOTE" and, together with the Rule 144A Global Notes, the "GLOBAL Notes"). Each Global Note shall be deposited on behalf of the purchasers of the Series A Notes represented thereby with the Trustee, at its New York office, as custodian for the Depositary (or with

such other custodian as the Depositary may direct), and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(c) Book-entry Provisions. This Section 2.01(c) shall apply only to a Global Note deposited with or on behalf of the Depositary.

The Company shall execute and the Trustee shall, in accordance with this Section 2.01(c), authenticate and deliver initially one or more Global Notes that shall be registered in the name of the Depositary for such Global Note or Global Notes or the nominee of such Depositary and shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Trustee as custodian for the Depositary.

Members of, or participants in, the Depositary ("AGENT MEMBERS") shall have no rights under the Indenture with respect to any Global Note held on their behalf by the Depositary or by the Trustee as the custodian of the Depositary or under such Global Note, and the Depositary shall be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(d) Certificated Notes. Except as provided in this Section 2.01 or Section 2.06 or 2.07, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes.

SECTION 2.2. Execution and Authentication. One Officer of the Company shall sign the Notes on behalf of the Company by manual or facsimile signature. The Company's seal may be (but shall not be required to be) impressed, affixed, imprinted or reproduced on the Notes and may be in facsimile form.

If an Officer of the Company whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall be valid nevertheless.

A Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of an authorized signatory of the Trustee, which signature shall be conclusive evidence that the Note has been authenticated under the Indenture.

The Trustee shall authenticate (i) for original issue on the Initial Issue Date, Series A Notes in the aggregate principal amount of $175,000,000, (ii) Exchange Notes for original issue, pursuant to any Exchange Offer or Private Exchange, for a like principal amount of Series A Notes and (iii) any amount of additional Notes specified by the Company, in each case, upon a written order of the Company signed by one Officer of the Company. Such order shall specify (a) the amount of the Notes to be authenticated and the date of original issue thereof, and (b) whether the Notes are Series A Notes or Exchange Notes. The aggregate principal amount of Notes of any series outstanding at any time may not exceed the aggregate principal amount of Notes of such series authorized for issuance by the Company pursuant to one or more written orders of the Company, except as provided in Section 2.08 hereof. Subject to the foregoing, the aggregate principal amount of Notes of any series that may be issued under the Indenture shall not be limited.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. Unless limited by the terms of such appointment, an authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in the Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company, or an Affiliate of any of them.

The Series A Notes and the Exchange Notes shall be considered collectively to be a single class for all purposes of the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

SECTION 2.3. Registrar and Paying Agent. The Company shall maintain an office or agency where Notes may be presented for registration of transfer or exchange ("REGISTRAR") and an office or agency where Notes may be presented for payment ("PAYING AGENT"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to the Indenture. Such agreement shall implement the provisions of the Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party

to the Indenture. The Company may change any Paying Agent or Registrar without notice to any Holder. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints the Trustee as Registrar and Paying Agent.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to each Global Note.

SECTION 2.4. Paying Agent to Hold Money in Trust. The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or premium, if any, or interest or Liquidated Damages, if any, on the Notes, whether such money shall have been paid to it by the Company and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon payment over to the Trustee and upon accounting for any funds disbursed, the Paying Agent (if other than the Company or a Subsidiary of the Company) shall have no further liability for the money. If the Company or a Subsidiary of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

SECTION 2.5. Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each Interest Payment Date, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.6. Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. (i) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Depositary, in accordance with the Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a beneficial interest in a Global Note (other than a transfer of a beneficial interest in a Global Note for a beneficial interest in the same Global Note) shall deliver to the Registrar a written order given in accordance with the

Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a beneficial interest in the Global Note. The Registrar shall, subject to this Section 2.06, in accordance with such instructions, instruct the Depositary to credit to the account of the Person specified in such instructions a beneficial interest in the Global Note and to debit the account of the Person making the transfer the beneficial interest in the Global Note being transferred. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

(ii) Notwithstanding any other provisions of the Indenture (other than the provisions set forth in Section 2.07), a Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(iii) If a Global Note is exchanged for Notes in definitive registered form pursuant to this Section 2.06 or Section 2.07, prior to the consummation of an Exchange Offer or prior to or in a transfer made pursuant to an effective Shelf Registration Statement with respect to such Notes, such Notes may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.06 (including the certification and other requirements set forth on the reverse of the Series A Notes intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be, or are otherwise in compliance with the requirements of the Securities Act) and such other procedures as may from time to time be adopted by the Company.

(b) Legend. Except as permitted by the following paragraphs (c), (d), (e) and (f), each Note certificate evidencing the Global Notes (and all Notes issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form:

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE

SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING ITS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A INSIDE THE U.S., (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE U.S. WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL,

CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THIS TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "U.S." AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(c) Certification Requirements. Subject to paragraph (e), the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite in column C below.

A	B	C
Rule 144A Global Note	Rule 144A Global Note	(i)
Rule 144A Global Note	Regulation S Global Note	(ii)
Rule 144A Global Note	Certificated Note	(iii)
Regulation S Global Note	Rule 144A Global Note	(iv)
Regulation S Global Note	Regulation S Global Note	(i)
Regulation S Global Note	Certificated Note	(v)
Certificated Note	Rule 144A Global Note	(iv)
Certificated Note	Regulation S Global Note	(ii)
Certificated Note	Certificated Note	(iii)

(i) No certification is required.

(ii) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Regulation S Certificate; provided that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Notes Legend, then no certification is required.

(iii) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee (x) a duly completed Rule 144A

Certificate or (y) a duly completed Regulation S Certificate and/or an Opinion of Counsel and such other certifications and evidence as the Company may reasonably require in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States; provided that if the requested transfer or exchange is made by the Holder of a certificated Note that does not bear the Restricted Notes Legend, then no certification is required. In the event that (i) the requested transfer or exchange takes place after the Restricted Period and a duly completed Regulation S Certificate is delivered to the Trustee or (ii) a certificated Note that does not bear the Restricted Notes Legend is surrendered for transfer or exchange, upon transfer or exchange the Trustee will deliver a certificated Note that does not bear the Restricted Notes Legend.

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate.

(v) Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange is made during the Restricted Period. If the requested transfer involves a beneficial interest in a Regulation S Global Note during the Restricted Period, the Person requesting the transfer must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate and/or an Opinion of Counsel and such other certifications and evidence as the Company may reasonably require in order to determine that the proposed transfer is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States. If the requested transfer or exchange involves a beneficial interest in a Regulation S Global Note after the Restricted Period, no certification is required and the Trustee will deliver a certificated Note that does not bear the Restricted Notes Legend.

(d) Rule 144A Transfers. Upon any sale or transfer of a Transfer Restricted Note (including any Transfer Restricted Note represented by a Rule 144A Global Note) pursuant to Rule 144 under the Securities Act, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Note for a Note (or, in the case of any Transfer Restricted Note that is represented by a Rule 144A Global Note, an interest in a Global Note) that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Note, if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Note).

(e) Transfers Pursuant to an Effective Shelf Registration Statement. After a transfer of any Series A Notes or Private Exchange Notes during the period of the effectiveness of and pursuant to a Shelf Registration Statement with respect to such Series A Notes or Private Exchange Notes, as the case may be, all requirements pertaining to legends on such Note or such Private Exchange Note will cease to apply.

(f) Transfers Pursuant to a Registered Exchange Offer. Upon the consummation of a Registered Exchange Offer with respect to the Series A Notes pursuant to which Holders of such Series A Notes are offered Exchange Notes in exchange for their Series A Notes, Exchange Notes in certificated or global form (depending on whether certificated Notes or interests in Global Notes are exchanged), in each case not bearing the Restricted Notes Legend, will be available to Holders that exchange such Series A Notes in such Exchange Offer.

(g) Private Exchanges. Upon the consummation of a Private Exchange with respect to the Series A Notes pursuant to which Holders of such Series A Notes are offered Private Exchange Notes in exchange for their Series A Notes, Private Exchange Notes in certificated or global form (depending on whether certificated Notes or interests in Global Notes are exchanged) with the Restricted Notes Legend will be available to Holders that exchange such Series A Notes in such Private Exchange.

(h) Cancellation or Adjustment of Global Note. At such time as all beneficial interests in a Global Note have either been exchanged for certificated Notes, redeemed, repurchased or canceled, such Global Note shall be returned to the Depositary for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for certificated Notes, redeemed, repurchased or canceled, the principal amount of Notes represented by such Global Note shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the Notes Custodian for such Global Note) with respect to such Global Note, by the Trustee or the Notes Custodian, to reflect such reduction.

(i) Obligations with Respect to Transfers and Exchanges of Notes.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate certificated Notes and Global Notes at the Registrar's or co-Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar

governmental charge payable upon exchange or transfer pursuant to Sections 5.11, 8.05 and 9.06).

(ii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any certificated Note selected for redemption in whole or in part pursuant to Article IX, except the unredeemed portion of any certificated Note being redeemed in part, or (b) any Note for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Notes or 15 Business Days before an interest payment date.

(iii) Prior to the due presentation for registration of transfer of any Note, the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, premium, if any, and interest and Liquidated Damages, if any, on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(iv) All Notes issued upon any transfer or exchange pursuant to the terms of the Indenture shall evidence the same debt and shall be entitled to the same benefits under the Indenture as the Notes surrendered upon such transfer or exchange.

(j) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Note, any Agent Member or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders under the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely conclusively and shall be fully protected in relying upon information

furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.7. Certificated Notes.

(a) A Global Note deposited with the Depositary or with the Trustee as custodian for the Depositary pursuant to Section 2.01 shall be transferred to the beneficial owners thereof in the form of certificated Notes in an aggregate principal amount equal to the principal amount of such Global Note, in exchange for such Global Note, only if such transfer complies with Section 2.06 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Note or if at any time such Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days of such notice, (ii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of certificated Notes under the Indenture; or (iii) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

(b) Any Global Note that is transferred to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depositary to the Trustee at its office located in the Borough of Manhattan, The City of New York, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of certificated Notes of authorized denominations. Any portion of a Global Note transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depositary shall direct. Any certificated Note delivered in exchange for an interest in the Global Note shall, except as otherwise provided by Section 2.06(c), bear the restricted securities legend set forth in Section 2.06(b).

(c) Subject to the provisions of Section 2.06(b), the registered Holder of a Global Note may grant proxies and otherwise authorize any Person, including

Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under the Indenture or the Notes.

(d) If any of the events specified in Section 2.07(a) occurs, the Company shall promptly make available to the Trustee a reasonable supply of certificated Notes in definitive, fully registered form without interest coupons.

(e) If a certificated Note issued pursuant to this Section 2.07 is exchanged for another certificated Note prior to the consummation of an Exchange Offer or prior to or in a transfer made pursuant to an effective Shelf Registration Statement with respect to such Notes, such Notes may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of (i) Section 2.06(a)(iii) (including the certification and other requirements set forth on the reverse of the Series A Notes intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be, or are otherwise in compliance with the requirements of the Securities Act) and such other procedures as may from time to time be adopted by the Company and (ii) Section 2.06(b).

SECTION 2.8. Replacement Notes.

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee shall authenticate a replacement Note, but only if the Trustee's requirements are met. If required by the Trustee or the Company, such Holder must furnish an indemnity bond that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent or any authenticating agent from any loss which any of them may suffer if a Note is replaced. The Company and the Trustee may charge for their expenses in replacing a Note. If, after the delivery of such replacement Note, a bona fide purchaser of the original Note in lieu of which such replacement Note was issued presents for payment or registration such original Note, the Trustee shall be entitled to recover such replacement Note from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the Company in connection therewith.

Every replacement Note is an additional obligation of the Company.

SECTION 2.9. Outstanding Notes.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee hereunder and

those described in this Section 2.09 as not outstanding; provided, however, that in determining whether the holders of the requisite principal amount of outstanding Notes are present at a meeting of holders of Notes for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment or modification hereunder, Notes held for the account of the Company, any of its Subsidiaries or any of their respective Affiliates shall be disregarded and deemed not to be outstanding, except that in determining whether the Trustee shall be protected in making such a determination or relying upon any such quorum, consent or vote, only Notes which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded.

If a Note is replaced pursuant to Section 2.08 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 3.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

A Note does not cease to be outstanding because the Company or any of its Affiliates holds the Note.

SECTION 2.10. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company or any of its Affiliates shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

SECTION 2.11. Temporary Notes.

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes, but may have variations that the Company considers appropriate for temporary Notes. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under the Indenture as definitive Notes.

SECTION 2.12. Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any

Notes surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation. All canceled Notes held by the Trustee shall be disposed of in accordance with the usual disposal procedures of the Trustee. The Company may not issue new Notes to replace Notes that have been paid or that have been delivered to the Trustee for cancellation.

SECTION 2.13. Defaulted Interest.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest on the defaulted interest, in each case at the rate provided in the Notes and in Section 3.01 hereof. The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. At least 15 days before any special record date, the Company (or the Trustee, in the name of and at the expense of the Company) shall mail to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.14. Persons Deemed Owners.

The Company, the Trustee, any Agent and any authenticating agent may treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving payments of principal of or premium, if any, or interest on such Note and for all other purposes. None of the Company, the Trustee, any Agent or any authenticating agent shall be affected by any notice to the contrary.

SECTION 2.15. CUSIP Numbers. The Company in issuing the Notes may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE 3

COVENANTS

SECTION 3.1. Payment of Notes. The Company shall pay the principal of and premium, if any, Liquidated Damages, if any, and interest on the Notes on the

dates and in the manner provided in the Notes and in the Indenture. Principal, premium, if any, Liquidated Damages, if any, and interest shall be considered paid on the date due if the Paying Agent, other than the Company or a Subsidiary of the Company, holds by 11:00 a.m., Eastern time, on that date money deposited by the Company designated for and sufficient to pay all principal, premium, if any, Liquidated Damages, if any, and interest then due.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal, premium, if any, Liquidated Damages, if any, and interest payments (without regard to any applicable grace period) at a rate equal to the then applicable interest rate on the Notes.

SECTION 3.2. Maintenance of Office or Agency. The Company shall maintain, in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee, the Registrar or the Paying Agent) where Notes may be presented for registration of transfer or exchange, where Notes may be presented for payment and where notices and demands to or upon the Company in respect of the Notes and the Indenture may be served. Unless otherwise designated by the Company by written notice to the Trustee, such office or agency shall be the principal office of the Trustee in the Borough of Manhattan, The City of New York, which, on the date hereof, is located at the address set forth in Section 11.02 hereof. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03 hereof.

SECTION 3.3. Commission Reports; Financial Statements. (a) Whether or not required by the Commission, so long as any Notes are outstanding, the Company will furnish to the Trustee, within 15 days after the time periods specified in the Commission's rules and regulations:

(i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such reports, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" (or, if applicable to the Company for such filings at such time, or if such filings were required at such time, a "Management's Narrative and Analysis of Results of Operations"), and, with respect to the annual information only, a report on the annual financial statements by the Company's certified independent accountants; and

(ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports.

(b) If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by paragraph (a) will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations (or, as applicable, in Management's Narrative and Analysis of Results of Operations), of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

(c) In addition, following the consummation of the Exchange Offer, whether or not required by the Commission, the Company will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the Commission for public availability within the time periods specified in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Company and the Guarantors will, for so long as any Notes remain outstanding, furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) The Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to Holders under this Section.

(e) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any

of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

SECTION 3.4. Compliance Certificate. (a) The Company shall deliver to the Trustee, on or prior to the last day of the fifth month after the end of each fiscal year of the Company, a statement signed by two Officers of the Company (one of whom shall be the principal financial, principal accounting or principal executive officer of the Company), which statement need not constitute an Officers' Certificate, complying with TIA Section 314(a)(4) and stating that in the course of performance by the signing Officers of the Company of their duties as such Officers, they would normally obtain knowledge of the keeping, observing, performing and fulfilling by the Company, of its obligations under the Indenture, and further stating, as to each such Officer signing such statement, that to his knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in the Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge and what action the Company is taking or proposes to take with respect thereto).

SECTION 3.5. Limitation on Restricted Payments. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(i) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or to the Company or a Restricted Subsidiary of the Company);

(ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company;

(iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Notes or the Subsidiary Guarantees, except a payment of interest or principal at the Stated Maturity thereof; or

(iv) make any Restricted Investment (all such payments and other actions set forth in these clauses (i) through (iv) above being collectively referred to as "RESTRICTED PAYMENTS"),

unless, at the time of and after giving effect to such Restricted Payment, no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and

(1) if the Fixed Charge Coverage Ratio for the Company's four most recent fiscal quarters for which internal financial statements are available is not less than 1.75 to 1.0, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the end of the fiscal year of the Company then most recently ended for which internal financial statements are available, is less than the sum, without duplication, of:

(A) Available Cash Flow from Operations for the fiscal year of the Company then most recently ended for which internal financial statements are available, plus

(B) 100% of the aggregate net cash proceeds received by the Company (including the fair market value of any Permitted Business or assets used or useful in a Permitted Business to the extent acquired in consideration of Equity Interests (other than Disqualified Stock) of the Company) after the date of the Indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company), plus

(C) to the extent that any Restricted Investment that was made after the date of the Indenture is sold for cash or Cash Equivalents or otherwise liquidated or repaid for cash, the lesser of (i) the cash return of capital with respect to such Restricted Investment, including without limitation repayment of principal of any Restricted Investment constituting a loan or advance (less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment, plus

(D) to the extent that any Unrestricted Subsidiary of the Company is redesignated as a Restricted Subsidiary after the date of

the Indenture, the lesser of (i) the fair market value of the Company's Investment in such Subsidiary as of the date of such redesignation or (ii) such fair market value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary (the amount determined at any time pursuant to items (b), (c) and (d) being referred to as the "INCREMENTAL FUNDS"); minus

(E) the aggregate amount of Restricted Payments previously made in reliance on Incremental Funds pursuant to this clause (1) or clause (2) below; or

(2) if the Fixed Charge Coverage Ratio for the Company's four most recent fiscal quarters for which internal financial statements are available is less than 1.75 to 1.0, such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries during the period commencing on the date such internal financial statements are available and ending on the date the next quarterly internal financial statements are available (such Restricted Payments for purposes of this clause (2) meaning only distributions on the Company's common stock and loans and advances to Williams and its Subsidiaries), is less than the sum, without duplication, of:

(A) $50.0 million less the aggregate amount of all Restricted Payments made by the Company pursuant to this clause (2)(A) during the period ending on the last day immediately preceding the date on which such internal financial statements are available and beginning on the date of the Indenture; plus

(B) the aggregate amount of Incremental Funds at such time minus the aggregate amount of Restricted Payments previously made in reliance on such Incremental Funds pursuant to this clause (2) or clause (1) above.

(b) Notwithstanding the foregoing, the preceding provisions will not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of the Indenture;

(ii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated

Indebtedness of the Company or any Guarantor or of any Equity Interests of the Company in exchange for, or out of the net cash proceeds of, the substantially concurrent (a) contribution (other than from a Subsidiary of the Company) to the equity capital of the Company or (b) sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (1) (B) of the preceding paragraph;

(iii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness of the Company or any Guarantor with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(iv) the payment of any distribution or dividend by a Restricted Subsidiary of the Company or to the holders of such Restricted Subsidiary's Equity Interests on a pro rata basis;

(v) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, dividends, distributions or advances to Williams Group Affiliates, at times and in amounts equal to amounts expended by Williams for the repurchase, redemption or acquisition or retirement for value of any Equity Interests of Williams held by any member of the Company's (or any of its Restricted Subsidiaries') management pursuant to any management equity subscription agreement, stock option agreement or similar agreement; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed $2.0 million in any twelve-month period and provided further that if the amount so paid in any calendar year is less than $2.0 million, such shortfall may be used to so repurchase, redeem, acquire or retire Equity Interests in either of the next two calendar years in addition to the $2.0 million that may otherwise be paid in each such calendar year; and

(vi) prior to the Credit Agreement Refinancing Date, the ability (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its capital stock or pay any Debt or other obligation owed to Williams or any of its Subsidiaries, or (ii) to make loans or advances to Williams or any of its Subsidiaries.

(c) In computing the amount of Restricted Payments previously made for purposes of the immediately preceding paragraph, Restricted Payments made

under clause (i) (but only if the declaration or such dividend or other distribution has not been counted in a prior period), clause (iv) (but only to the extent of amounts paid to Holders other than the Company or any of its Restricted Subsidiaries), clause (v) and clause (vi) of this paragraph shall be included, and Restricted Payments made under clauses (ii), (iii) and (iv) (except as noted above) shall be excluded.

(d) The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant will be determined, in the case of amounts under $5.0 million, by an Officer of the Company and, in the case of amounts over $5.0 million, by the Board of Directors of the Company.

SECTION 3.6. Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "INCUR") any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and any Guarantor may incur Indebtedness (including Acquired Debt) or the Company may issue Disqualified Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or Disqualified Stock had been issued, as the case may be, at the beginning of such four-quarter period.

(b) Paragraph (a) of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "PERMITTED DEBT"):

(i) the incurrence by the Company and any Guarantor of additional Indebtedness and letters of credit under any Credit Facilities to which the Company is a party in an aggregate principal amount at any one time outstanding under this clause (i) (with letters of credit being deemed to have a principal amount equal to the undrawn face amount thereof) not to exceed $400 million;

(ii) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(iii) the incurrence by the Company of Indebtedness represented by the Notes issued and sold in this offering and any Subsidiary Guarantees issued pursuant to the Indenture;

(iv) the incurrence by the Company and any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed $5 million at any time outstanding;

(v) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under paragraph (a) of this Section 3.06 or clauses (ii), (iii), (iv) or (v) of this paragraph (b) of this Section 3.06;

(vi) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that:

(A) if the Company or any Guarantor is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or the Subsidiary Guarantee, in the case of a Guarantor; and

(B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (vi);

(vii) the incurrence by the Company or any of its Subsidiaries of Hedging Obligations;

(viii) the guarantee by any of the Guarantors of Indebtedness of the Company or any Guarantor of the Company that was permitted to be incurred by another provision of this Section 3.06;

(ix) Indebtedness in respect of bankers acceptances, letters of credit and performance or surety bonds issued for the account of the Company or any of its Restricted Subsidiaries in the ordinary course of business in amounts and for the purposes customary in the Company's industry, in each case only to the extent that such incurrence does not result in the incurrence of any obligation to repay any borrowed money; and

(x) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (x), not to exceed $25 million.

(c) If any Non-Recourse Debt of an Unrestricted Subsidiary shall at any time cease to constitute Non-Recourse Debt or such Unrestricted Subsidiary shall be redesignated a Restricted Subsidiary, such event will be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary.

(d) For purposes of determining compliance with this Section:

(i) in the event that an item of proposed Indebtedness (including Acquired Debt) meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (x) of paragraph (b) of this Section 3.06, or is entitled to be incurred pursuant to paragraph (a) of this Section, the Company will be permitted to classify (or later classify or reclassify in whole or in part in its sole discretion) such item of Indebtedness in any manner that complies with this Section;

(ii) the accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this

Section, provided, in each such case, that the amount thereof is included in the computation of Fixed Charges of the Company as accrued; and

(iii) for the purposes of determining compliance with any dollar-denominated restriction on the incurrence of Indebtedness denominated in a foreign currency, the dollar-equivalent principal amount of such Indebtedness incurred pursuant thereto shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was incurred.

SECTION 3.7. Limitation on Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness, Attributable Debt or trade payables (other than Permitted Liens) upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien or, in the case of any obligation so secured that is expressly subordinated to the Notes or any Subsidiary Guarantee, as applicable, by a Lien prior to any Liens securing any and all obligations thereby secured for so long as any such obligations shall be so secured.

SECTION 3.8. Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Company or any of its Restricted Subsidiaries;

(ii) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

(b) Notwithstanding the foregoing, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(i) agreements governing Existing Indebtedness and the Credit Agreement as in effect on the date of the Indenture and any amendments,

modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements, provided that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacement or refinancings are no more restrictive in any material respect, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the respective agreements on the date of the Indenture, as determined by the Board of Directors of the Company in their reasonable and good faith judgment;

(ii) the Indenture, the Notes and the Subsidiary Guarantees;

(iii) applicable law;

(iv) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(v) customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices;

(vi) Capital Lease Obligations, mortgage financings or purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (iii) of paragraph (a);

(vii) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(viii) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive in any material respect, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(ix) Liens securing Indebtedness otherwise permitted to be incurred under the provisions of Section 3.07 that limit the right of the debtor to dispose of the assets subject to such Liens;

(x) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements, provided that such restrictions apply only to the assets or property subject to such joint venture or similar agreement or to the assets or property being sold, as the case may be; and

(xi) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business.

SECTION 3.9. Additional Interest. If, at any time and from time to time after the date of the Indenture but prior to the earlier of (1) the Credit Agreement Refinancing Date and (2) the Investment Grade Date, the Fixed Charge Coverage Ratio for the Company's four most recent fiscal quarters for which internal financial statements are available is less than 1.75 to 1.0, then, from (A) the date of any such determination until (B) the earliest of (1) the next date (if any) on which the Fixed Charge Coverage Ratio for the Company's four most recent fiscal quarters then most recently ended for which internal financial statements are available is equal to or greater than 1.75 to 1.0, (2) the Credit Agreement Refinancing Date and (3) the Investment Grade Date, the interest rate otherwise applicable to the Notes will be increased by a rate of 1.00% per annum. The Company shall give prompt written notice to the Trustee of any such increase or decrease in the interest rate applicable to the Notes pursuant to this Section 3.09.

SECTION 3.10. Guaranties by Restricted Subsidiaries. If the Company or any of its Restricted Subsidiaries acquires or creates another Domestic Restricted Subsidiary after the date of the Indenture, then that newly acquired or created Domestic Restricted Subsidiary will become a Guarantor and execute a Supplemental Indenture in the form of Exhibit B and deliver to the Trustee an Opinion of Counsel to the effect that the Supplemental Indenture has been duly authorized, executed and delivered by such Domestic Restricted Subsidiary and constitutes a valid and binding obligation of such Domestic Restricted Subsidiary, enforceable against such Domestic Restricted Subsidiary in accordance with its terms (subject to customary exceptions), all within 10 Business Days of the date on which it was acquired or created; provided, however, that the foregoing shall not apply to Subsidiaries that have properly been designated as Unrestricted Subsidiaries in accordance with the Indenture for so long as they continue to constitute Unrestricted Subsidiaries.

SECTION 3.11. Repurchase of Notes upon a Change of Control. (a) Subject to paragraph (b) of this Section, not later than 30 days following a Change of Control, the Company will make a Change of Control Offer to purchase all outstanding Notes at a purchase price (the "CHANGE OF CONTROL PAYMENT") equal to 101% of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase; provided that the Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

(b) Prior to complying with any of the provisions of this Section, but in any event within 30 days following a Change of Control, if the Company or any of its Williams Group Affiliates is subject to any agreement evidencing Indebtedness (or commitments to extend Indebtedness) that prohibits prepayment or repurchase of the Notes pursuant to a Change of Control Offer, the Company will either repay, or cause its Williams Group Affiliates to repay, all such outstanding Indebtedness of the Company and its Williams Group Affiliates (and terminate all commitments to extend such Indebtedness), or obtain the requisite consents, if any, under all agreements governing such Indebtedness or commitments to permit the repurchase of Notes required by paragraph (a) of this Section. The Company shall first comply with this paragraph (b) before it shall be required to make a Change of Control Offer or to repurchase Notes pursuant to paragraph (a). The Company's failure to comply with paragraph (b) may (with notice and lapse of time) constitute an Event of Default under Section 5.01(a)(iv) but shall not constitute an Event of Default under Section 5.01(a)(iii).

(c) The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

SECTION 3.12. Limitation on Asset Sales. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(ii) the fair market value is determined by (a) an executive officer of the Company if the value is less than $10 million or (b) the Company's

Board of Directors if the value is $10 million or more, as evidenced by a resolution of such Board of Directors;

(iii) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Subsidiary from further liability;

(B) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are contemporaneously, subject to ordinary settlement periods, converted by the Company or such Subsidiary into cash, to the extent of the cash received in that conversion; and

(C) property or assets received as consideration for such Asset Sale that would otherwise constitute a permitted application of Net Proceeds (or other cash in such amount) under clauses (ii), (iii) or (iv) under paragraph (b) of this Section.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply an amount of cash equal to the amount of such Net Proceeds at its option:

(i) to repay or prepay senior Indebtedness of the Company and/or the Guarantors under a Credit Facility;

(ii) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, another Permitted Business;

(iii) to make a capital expenditure; or

(iv) to acquire other long-term assets that are used or useful in a Permitted Business.

(c) Subject to paragraph (e) of this Section, to the extent that the Company does not apply an amount of cash equal to the amount of such Net

Proceeds of any Asset Sale during such period as provided in paragraph (b) of this Section, the amount not so applied (excluding Net Proceeds of any Asset Sale of the Gray's Harbor lateral project and excluding Net Proceeds of any Asset Sale to the extent of the amount of acquisitions or capital expenditures described under clauses (ii), (iii) or (iv) under paragraph (b) of this Section made during the 365 days preceding the receipt of such Net Proceeds (other than any portion of such amount that was funded with Net Proceeds of any other Asset Sale or that has been allocated to exclude Net Proceeds of any other Asset Sales under this provision)) will constitute "EXCESS PROCEEDS." When the aggregate amount of Excess Proceeds exceeds $20.0 million, the Company will make an Asset Sale Offer to all Holders of Notes and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds (each such offer an "ASSET SALE OFFER"). The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the date of purchase, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(d) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 3.12 by virtue of such conflict.

(e) Prior to making any Asset Sale Offer, but in any event within 30 days following the date on which such Asset Sale Offer would otherwise be required, if the Company or any of its Williams Group Affiliates is subject to any agreement evidencing Indebtedness (or commitments to extend Indebtedness) that prohibits prepayment or repurchase of the Notes pursuant to an Asset Sale Offer, the Company will either repay, or cause its Williams Group Affiliates to repay, all such outstanding Indebtedness of the Company and its Williams Group Affiliates (and terminate all commitments to extend such Indebtedness), or obtain the requisite consents, if any, under all agreements governing such Indebtedness or

commitments to permit the repurchase of Notes required by this Section 3.12. The Company shall first comply with this paragraph (e) before it shall be required to make an Asset Sale Offer or to repurchase Notes pursuant to this Section. The Company's failure to comply with the covenant described in this paragraph may (with notice and lapse of time) constitute an Event of Default under 5.01(a)(iv) but shall not constitute an Event of Default under Section 5.01(a)(iii).

SECTION 3.13. Limitation on Transactions with Affiliates. (a) The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each, an "AFFILIATE TRANSACTION"), unless:

(i) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(ii) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10 million, a resolution of the Board of Directors of the Company set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this Section 3.13 and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $25 million, an opinion as to the fairness to the Company of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

(b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(i) any employment agreement on customary terms entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary;

(ii) transactions between or among the Company and/or its Restricted Subsidiaries;

(iii) transactions with a Person that is an Affiliate of the Company solely because the Company owns an Equity Interest in, or controls, such Person;

(iv) payment of reasonable directors fees and provision to directors, officers and employees of customary indemnities and customary benefits pursuant to employee benefit plans and similar arrangements;

(v) sales of Equity Interests (other than Disqualified Stock) to Affiliates of the Company;

(vi) (A) corporate sharing agreements with the Company's Williams Group Affiliates and their subsidiaries with respect to tax sharing and general overhead and other administrative matters and (B) any other intercompany arrangements disclosed or described in the Company's report on Form 10-K for the fiscal year ended December 31, 2001 (including the exhibits thereto) or the Offering Memorandum, all as in effect on the date of the Indenture, and any amendment or replacement of any of the foregoing so long as such amendment or replacement agreement is not less advantageous to the Company in any material respect than the agreement so amended or replaced, as such agreement was in effect on the date of the Indenture;

(vii) transactions entered into as part of a Permitted Receivables Financing; and

(viii) Restricted Payments that are permitted by the provisions of Section 3.05.

SECTION 3.14. Designation of Restricted and Unrestricted Subsidiaries. The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default; provided that in no event will the businesses operated by the Company on the date of this Indenture be transferred to or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary properly designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 3.05(a) or Permitted Investments, as determined by the Company. That designation will only be permitted if the

Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

SECTION 3.15. Limitation on Sale and Leaseback Transactions. The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Guarantor may enter into a Sale and Leaseback Transaction if:

(i) the Company or that Guarantor, as applicable, could have incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale and Leaseback Transaction under the Fixed Charge Coverage Ratio test in Section 3.06(a);

(ii) immediately after giving effect to such Sale and Leaseback Transaction, the aggregate outstanding Attributable Debt with respect to all Sale and Leaseback Transactions by the Company and the Guarantors does not exceed 10% of the Consolidated Net Tangible Assets of the Company; and

(iii) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the fair market value, as determined in good faith by the Board of Directors of the Company and set forth in an Officers' Certificate delivered to the Trustee, of the property that is the subject of that Sale and Leaseback Transaction; provided, however, that the foregoing clauses (i) and (ii) shall no longer be applicable after any Investment Grade Date.

SECTION 3.16. Business Activities. The Company will not, and will not permit any Restricted Subsidiary to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Subsidiaries taken as a whole.

SECTION 3.17. Payments for Consent. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

ARTICLE 4

CONSOLIDATION, MERGER AND SALE

SECTION 4.1. Limitation on Mergers and Consolidations. (a) The Company may not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving Person); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person unless:

(i) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(ii) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made expressly assumes by Supplemental Indenture all the obligations of the Company under the Notes, this Indenture and any Registration Rights Agreement and delivers to the Trustee an Opinion of Counsel to the effect that the Supplemental Indenture has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligation of such Person, enforceable against such Person in accordance with its terms (subject to customary exceptions);

(iii) immediately after such transaction no Default or Event of Default exists; and

(iv) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made will, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in Section 3.06(a); provided, however, that this clause (iv) shall no longer be applicable from and after any Investment Grade Date.

(b) In addition, the Company may not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. Clause (iv) under paragraph (a) of this Section will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of its Restricted Subsidiaries. Without limitation of the foregoing, in no event shall the Company, directly or indirectly, (1) consolidate or merge with or into Williams or any of the Williams Group Affiliates (whether or not the Company is the surviving Person) or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to Williams or any of the Williams Group Affiliates (other than mergers or transactions otherwise permitted by this Section 4.01 with (a) Williams Group Affiliates engaged in no businesses other than being principally engaged in owning and operating regulated interstate natural gas pipeline systems and any businesses incidental and reasonably related thereto, including facilities for mainline transmission and gas storage ("PIPELINE BUSINESS") or (b) a holding company of the Company engaged in no businesses other than Pipeline Business and having no Subsidiaries other than Subsidiaries engaged in no businesses other than Pipeline Business, and in the case of (a) or (b), only if at the time of such merger or transaction, the Company and such Williams Group Affiliate or holding company each have an Investment Grade Rating from Moody's and S&P and the surviving Person will have an Investment Grade Rating from Moody's and S&P).

SECTION 4.2. Successors Substituted. In case of any such consolidation, merger, sale, lease or conveyance, and following such an assumption by the successor Person, such successor Person shall succeed to and be substituted for the Company, with the same effect as if it had been named herein. Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company prior to such succession any or all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person, instead of the Company, and subject to all the terms, conditions and limitations in the Indenture prescribed, the Trustee shall authenticate and shall deliver any Notes which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Notes which such successor Person thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Notes so issued shall in all respects have the same legal rank and benefit under the Indenture as the Notes theretofore or thereafter issued in accordance with the terms of the Indenture as though all of such Notes had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phrasing and form (but not in substance) may be made in the Notes

thereafter to be issued as may be appropriate. In the event of any such sale or conveyance (other than a conveyance by way of lease) the Company or any successor Person which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under the Indenture, and the Notes and may be liquidated and dissolved.

SECTION 4.3. Consolidation, Merger or Sale of Assets by a Guarantor. (a) No Guarantor may:

(i) consolidate with or merge with or into any Person, or

(ii) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or

(iii) permit any Person to merge with or into the Guarantor unless

(A) immediately after giving effect to the transaction, no Default or Event of Default exists; and

(B) either:

(b) (i) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of that Guarantor under the Indenture, its Subsidiary Guarantee and any Registration Rights Agreement pursuant to a Supplemental Indenture satisfactory to the Trustee; or

(ii) in connection with any sale or other disposition of all or substantially all of the assets of the Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Subsidiary of the Company, if the sale or other disposition complies with Section 3.12.

ARTICLE 5

DEFAULTS AND REMEDIES

SECTION 5.1. Events of Default. (a) Each of the following is an Event of Default:

(i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes;

(ii) default in payment when due of the principal of, or premium, if any, on the Notes;

(iii) failure by the Company to purchase Notes tendered pursuant to an offer described under Sections 3.11 and 3.12 in accordance with the terms thereof, or failure of the Company or any Guarantor to comply with the provisions of Article IV;

(iv) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice, from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes, to comply with any of the other agreements in the Indenture;

(v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, if that default:

(A) is caused by a failure of the Company or any Subsidiary of the Company to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "PAYMENT DEFAULT"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $15 million or more;

(vi) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $15 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(vii) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any

Guarantor, or any Person acting on behalf of any Guarantor, shall deny or disaffirm its obligations under its Subsidiary Guarantee; and

(viii) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any of its Restricted Subsidiaries in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company or any of its Restricted Subsidiaries a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any of its Restricted Subsidiaries under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any of its Restricted Subsidiaries or of any substantial part of the property of the Company or any of its Restricted Subsidiaries, or ordering the winding up or liquidation of the affairs of the Company or any of its Restricted Subsidiaries, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(ix) the commencement by the Company or any of its Restricted Subsidiaries of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company or any of its Restricted Subsidiaries in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any of its Restricted Subsidiaries or of any substantial part of the property of the Company or any of its Restricted Subsidiaries, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or any of its Restricted Subsidiaries in furtherance of any such action.

(b) The Trustee shall not be deemed to know of a Default or Event of Default unless a Responsible Officer at the Corporate Trust Office of the Trustee has actual knowledge of such Default or Event of Default or the Trustee receives written notice at the Corporate Trust Office of the Trustee of such Default or

Event of Default with specific reference to such Default or Event of Default and the Notes and this Indenture.

(c) When a Default is cured, or when an Event of Default is deemed cured pursuant to Section 5.04, such Default, or Event of Default, as the case may be, ceases.

SECTION 5.2. Acceleration. If an Event of Default (other than an Event of Default specified in clause (viii) or (ix) of Section 5.01(a) hereof with respect to the Company, any Subsidiary that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes by notice to the Company and the Trustee, may declare the principal of and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all then outstanding Notes to be due and payable immediately. Upon any such declaration the amounts due and payable on the Notes, as determined in accordance with the next succeeding paragraph, shall be due and payable immediately. If an Event of Default specified in clause (viii) or (ix) of Section 5.01(a) with respect to the Company, any Subsidiary that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary, occurs, the principal of and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all Notes then outstanding shall ipso facto become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the outstanding Notes, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(i) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by the declaration of acceleration, have been cured or waived, and

(ii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

If the maturity of the Notes is accelerated pursuant to this Section 5.02, 100% of the principal amount thereof shall become due and payable plus premium, if any, and accrued interest and Liquidated Damages, if any, to the date of payment.

In the case of any Event of Default occurring by reason of any willful action or inaction taken or not taken by or on behalf of the Company with the intention of avoiding payment of the premium (including, in the case of any such Event of Default prior to March 1, 2007, payment of the Make-Whole Price) that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium (or, in the case of any such Event of Default prior to March 1, 2007, the relevant Make-Whole Amount that would apply at such time if the Notes were optionally redeemed at the Make-Whole Price) will also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

SECTION 5.3. Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, or premium, if any, Liquidated Damages, if any, or interest on the Notes or to enforce the performance of any provision of the Notes, the Indenture or any Registration Rights Agreement.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 5.4. Waiver of Existing Defaults. Subject to Sections 5.07 and 8.02 hereof, the Holders of a majority in aggregate principal amount of the outstanding Notes by notice to the Trustee may waive an existing Default or Event of Default and its consequences (including waivers obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes or a solicitation of consents in respect of the Notes), except (1) a continuing Default or Event of Default in the payment of interest or Liquidated Damages on, or the principal of, the Notes or (2) a continuing Default in respect of a provision that under Section 8.02 hereof cannot be amended without the consent of each Holder affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the

Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 5.5. Control by Majority. The Holders of a majority in principal amount of the Notes then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it hereunder. However, the Trustee may refuse to follow any direction that conflicts with applicable law or the Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 5.6. Limitations on Suits. Subject to Section 5.07 hereof, a Holder may pursue a remedy with respect to the Indenture or the Notes only if:

(i) such Holder gives to the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in principal amount of the Notes then outstanding make a written request to the Trustee to pursue the remedy;

(iii) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(v) during such 60-day period the Holders of a majority in principal amount of the Notes do not give the Trustee a direction inconsistent with the request.

A Holder may not use the Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 5.7. Rights of Holders to Receive Payment. Notwithstanding any other provision of the Indenture, the right of any Holder of a Note to receive payment of principal of, and premium, if any, and interest on the Note, on or after the respective due dates expressed in the Note, or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and

unconditional and shall not be impaired or affected without the consent of such Holder.

SECTION 5.8. Collection Suit by Trustee. If an Event of Default specified in clause (i) or (ii) of Section 5.01 hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the amount of principal and premium, if any, and interest (and Liquidated Damages, if any) remaining unpaid on the Notes, and interest on overdue principal, premium, if any, and Liquidated Damages, if any and, to the extent lawful, interest on overdue interest (and Liquidated Damages, if any), and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 5.9. Trustee May File Proofs of Claim. The Trustee is authorized to file such proofs of claim and other papers or documents and to take such actions, including participating as a member, voting or otherwise, of any committee of creditors, as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company or its creditors or properties and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.10. Priorities. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee (including any Predecessor Trustee) for amounts due under Section 6.07 hereof;

Second: to Holders for amounts due and unpaid on the Notes for principal, premium, if any, Liquidated Damages, if any, and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, Liquidated Damages, if any, and interest, respectively; and

Third: to the Company.

The Trustee, upon prior written notice to the Company, may fix a record date and payment date for any payment to Holders pursuant to this Article.

SECTION 5.11. Undertaking for Costs. In any suit for the enforcement of any right or remedy under the Indenture or in any suit against the Trustee for any action taken or omitted by it as a trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 5.07 hereof, or a suit by a Holder or Holders of more than 10% in principal amount of the Notes then outstanding.

ARTICLE 6

TRUSTEE

SECTION 6.1. Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in such exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, with respect to certificates or opinions specifically required by any provision hereof to be furnished to it, the Trustee shall examine such certificates and opinions to determine whether or not, on their face, they appear to conform substantially to the requirements of the Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraphs (b) or (e) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.05 hereof.

(d) Whether or not therein expressly so provided, every provision of the Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section.

(e) No provision of the Indenture shall require the Trustee to expend or risk its own funds or incur any liability.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law. All money received by the Trustee shall, until applied as herein provided, be held in trust for the payment of the principal of, and premium if any, and interest on the Notes.

SECTION 6.2. Rights of Trustee. (a) The Trustee may rely conclusively and shall be fully protected in acting or refraining from acting on any document (whether in its original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its own selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by the Indenture.

(e) Unless otherwise specifically provided in the Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Indenture.

(g) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Indenture shall extend and be enforceable by the Trustee in each of its capacities hereunder and shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnity, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of the Indenture and final payment of the Notes.

(h) The permissive right of the Trustee to take the actions permitted by the Indenture shall not be construed as an obligation or duty to do so.

(i) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Notes, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Notes.

(j) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to the Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate,

including any person specified as so authorized in any such certificate previously delivered and not superseded.

(k) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(l) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

SECTION 6.3. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 6.10 and 6.11 hereof.

SECTION 6.4. Trustee's Disclaimer. The Trustee makes no representation as to the validity or adequacy of the Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement or recital herein or any statement in the Notes other than its certificate of authentication.

SECTION 6.5. Notice of Defaults. If a Default or Event of Default occurs and is continuing and it is actually known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, or premium, if any, Liquidated Damages, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Holders.

SECTION 6.6. Reports by Trustee to Holders. On or before May 15 of each year, beginning with May 15, 2004, the Trustee shall mail to Holders a brief report dated as of a date convenient to the Trustee no more than 60 nor less than 45 days prior thereto, that complies with TIA Section 313(a); provided, however, that if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted. The Trustee

also shall comply with TIA Section 313(b). The Trustee shall also transmit by mail all reports as required by TIA Sections 313(c) and 313(d).

A copy of each report at the time of its mailing to Holders shall be filed with the Commission and each securities exchange, if any, on which the Notes are listed. The Company shall notify the Trustee if and when the Notes are listed on any stock exchange or delisted therefrom.

SECTION 6.7. Compensation and Indemnity. The Company agrees to pay to the Trustee from time to time such compensation as agreed to by the Company and the Trustee, for its acceptance of the Indenture and its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company agrees to reimburse the Trustee upon request for all reasonable disbursements, advances and expenses incurred by it. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company agrees to fully indemnify the Trustee or any predecessor Trustee and their agents for and to hold them harmless against any and all loss, liability damage, claims, or expense (including taxes, other than taxes based upon, measured by or determined by the income of the Trustee) incurred by it arising out of or in connection with the acceptance or administration of its duties under the Indenture, including the costs and expenses of defending itself against any claim (whether asserted aby the Company, any Holder or any other Person), except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel, and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Company shall not be obligated to reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence or willful misconduct.

To secure the payment obligations of the Company in this Section 6.07, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal of, and premium, if any, and interest and Liquidated Damages, if any, on particular Notes. Such lien shall survive the satisfaction and discharge of the Indenture, the resignation or removal of the Trustee and the termination of this Indenture for any reason.

Without prejudice to its rights hereunder, when the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(a)(viii) or

(ix) hereof occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 6.8. Replacement of Trustee. A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 6.08.

The Trustee may resign and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(i) the Trustee fails to comply with Section 6.10 hereof;

(ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(iii) a Custodian or public officer takes charge of the Trustee or its property; or

(iv) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Notes then outstanding may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Notes then outstanding may petition (at the expense of the Company) any court of competent jurisdiction at the expense of the Company for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 6.10 hereof, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under the Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee,

subject to the lien provided for in Section 6.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 6.08 hereof, the obligations of the Company under Section 6.07 hereof shall continue for the benefit of the retiring Trustee.

SECTION 6.9. Successor Trustee by Merger, Etc. Subject to Section 6.10 hereof, if the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another Person, the successor Person without any further act shall be the successor Trustee.

In case any Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in the Indenture provided that the certificate of the Trustee shall have.

SECTION 6.10. Eligibility; Disqualification. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia and authorized under such laws to exercise corporate trust power, shall be subject to supervision or examination by Federal or State (or the District of Columbia) authority and shall have, or be a Subsidiary of a bank or bank holding company having, a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Sections 310(a)(1), 310(a)(2) and 310(a)(5). The Trustee is subject to and shall comply with the provisions of TIA Section 310(b) during the period of time required by the Indenture. For purposes of Section 301(b)(1) of the TIA and to the extent permitted thereby, the Trustee shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of any series of securities issued under the Indentures dated as of August 1, 1992, November 30, 1995 and December 8, 1997, each by and between the Company and JPMorgan Chase Bank (or its predecessor), as trustee, and any other indentures of the Company pursuant to which JPMorgan Chase Bank acts as trustee. Nothing in the Indenture shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA Section 310(b).

SECTION 6.11. Preferential Collection of Claims Against Company. The Trustee is subject to and shall comply with the provisions of TIA Section 311(a),

excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 7

DEFEASANCE AND DISCHARGE

SECTION 7.1. Discharge of Company's Obligations. (a) Subject to paragraph (b), the Company's obligations under the Notes and the Indenture, and each Guarantor's obligations under its Subsidiary Guarantee, will terminate if:

(i) either

(A) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(B) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and noncallable Government Securities, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the trustee for cancellation for principal, premium and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;

(ii) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(iii) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at the Maturity Date or the Redemption Date, as the case may; and

(iv) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of the Indenture have been complied with, together with an Opinion of Counsel to the same effect.

(b) After satisfying the conditions in clauses (a)(i)(A),(ii),(iii) and (iv), only the Company's obligations under Section 6.07 will survive. After satisfying the conditions in clauses (a)(i)(B), (ii), (iii) and (iv), only the Company's obligations in Article II and Sections 3.01, 3.02, 6.07, 6.08, 7.05 and 7.06 will survive. In either case, the Trustee upon request will acknowledge in writing the discharge of the Company's obligations under the Notes and the Indenture other than the surviving obligations.

SECTION 7.2. Legal Defeasance. (a) After the 91st day following the deposit referred to in clause (i), the Company will be deemed to have paid and will be discharged from its obligations in respect of the Notes and the Indenture, other than its obligations in Article II and Sections 3.01, 3.02, 6.07, 6.08, 7.05 and 7.06, and each Guarantor's obligations under its Subsidiary Guarantee will terminate ("LEGAL DEFEASANCE"), provided the following conditions have been satisfied:

(i) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Liquidated Damages, if any, on the outstanding Notes on the Stated Maturity or on the applicable Redemption Date, as the case may be, and the Company must specify whether the Notes are being defeased to Maturity Date or to a particular Redemption Date;

(ii) the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(iii) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(iv) such Legal Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(v) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(vi) the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance have been complied with.

Prior to the end of the 91-day period, none of the Company's obligations under the Indenture will be discharged. Thereafter, the Trustee upon request will acknowledge in writing the discharge of the Company's obligations under the Notes and the Indenture except for the surviving obligations specified above.

SECTION 7.3. Covenant Defeasance. (a) After the 91st day following the deposit referred to in clause (i), the Company's obligations set forth in Sections 3.03 through 3.17, inclusive and clause (iv) of Section 4.01(a), and each Guarantor's obligations under its Subsidiary Guarantee, will terminate, and clauses (iii), (iv), (v), (vi) and (vii) of Section 5.01(a) will no longer constitute Events of Default ("COVENANT DEFEASANCE"), provided the following conditions have been satisfied:

(i) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Liquidated Damages, if any, on the outstanding Notes on the Stated Maturity or on the applicable Redemption Date, as the case may be, and the Company must specify whether the Notes are being defeased to Maturity Date or to a particular Redemption Date;

(ii) the Company has delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(iii) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(iv) such Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(v) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(vi) the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance have been complied with.

Except as specifically stated above, none of the Company's obligations under the Indenture will be discharged.

SECTION 7.4. Covenant Termination. From and after the first date after the date of the Indenture on which the Notes have an Investment Grade Rating from both Rating Agencies and no Default or Event of Default has occurred and is continuing under the Indenture (the "INVESTMENT GRADE DATE"), the Company and its Restricted Subsidiaries will no longer be subject to Sections 3.05, 3.06, 3.08, 3.09, 3.12, 3.13 and 3.16 of the Indenture.

SECTION 7.5. Application of Trust Money. The Trustee or a trustee satisfactory to the Trustee and the Company shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 7.01, 7.02 and 7.03 hereof. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with the Indenture to the

payment of principal of, premium, if any, Liquidated Damages, if any, and interest on the Notes.

SECTION 7.6. Repayment to Company. The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or securities held by them at any time.

Subject to the requirements of any applicable abandoned property laws, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal, premium, if any, Liquidated Damages, if any, or interest that remains unclaimed for two years after the date upon which such payment shall have become due; provided, however, that the Company shall have either caused notice of such payment to be mailed to each Holder entitled thereto no less than 30 days prior to such repayment or within such period shall have published such notice in a financial newspaper of widespread circulation published in The City of New York. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and the Paying Agent with respect to such money shall cease.

In the absence of a written request from the Company to return unclaimed funds to the Company, the Trustee shall from time to time deliver all unclaimed funds to or as directed by applicable escheat authorities, as determined by the Trustee in its sole discretion, in accordance with customary practices and procedures of the Trustee. Any unclaimed funds held by the Trustee pursuant to this Section 7.06 shall be held uninvested and without any liability for interest.

SECTION 7.7. Reinstatement. If the Trustee or the Paying Agent is unable to apply any money or U. S. Government Obligations in accordance with Section 7.01, 7.02 or 7.03 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under the Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.01, 7.02 or 7.03 hereof until such time as the Trustee or the Paying Agent is permitted to apply all such money or U. S. Government Obligations in accordance with Section 7.01, 7.02 or 7.03 hereof; provided, however, that if the Company has made any payment of principal of or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee or the Paying Agent.

ARTICLE 8

AMENDMENTS

SECTION 8.1. Without Consent of Holders. The Company, the Guarantors and the Trustee may amend or supplement the Indenture or any of the Notes or waive any provision hereof or thereof without the consent of any Holder:

(i) to cure any ambiguity, omission, defect or inconsistency;

(ii) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(iii) to provide for the assumption of the Company's obligations to Holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets;

(iv) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;

(v) to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder; or to provide for the acceptance of appointment hereunder of a successor Trustee in compliance with the provisions hereof;

(vi) to comply with requirements of the Commission under the Securities Act or the Exchange Act or in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

Upon the request of the Company accompanied by a resolution of the Board of Directors of the Company authorizing the execution of any such Supplemental Indenture, and upon receipt by the Trustee of the documents described in and subject to the other terms of Section 8.06 hereof, the Trustee shall join with the Company in the execution of any Supplemental Indenture authorized or permitted by the terms of the Indenture and make any further appropriate agreements and stipulations that may be therein contained. After an amendment, supplement or waiver under this Section 8.01 becomes effective, the Company shall mail to the Holders of each Note affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

SECTION 8.2. With Consent of Holders.

Except as provided below in this Section 8.02, the Company and the Trustee may amend or supplement the Indenture or the Notes with the written consent (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes or a solicitation of consents in respect of the Notes) of the Holders of at least a majority in principal amount of the Notes then outstanding.

Upon the request of the Company accompanied by a resolution of the Board of Directors of the Company authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 8.06 hereof, the Trustee shall join with the Company in the execution of such Supplemental Indenture.

It shall not be necessary for the consent of the Holders under this Section 8.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

The Holders of a majority in principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of the Indenture or the Notes (including waivers obtained in connection with a purchase of, tender offer or exchange offer for, the Notes or a solicitation of consents in respect of the Notes).

Without the consent of each Holder affected, an amendment, supplement or waiver under this Section may not:

(i) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the principal of or change the fixed maturity of any Note or alter the provisions (including without limitation the amount of any premium or the price therefor) with respect to the redemption of the Notes (other than provisions relating to Sections 3.11 and 3.12);

(iii) reduce the rate of or change the time for payment of interest or Liquidated Damages on any Note;

(iv) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Liquidated Damages, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(v) make any Note payable in money other than that stated in the Notes;

(vi) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on the Notes;

(vii) waive a redemption payment with respect to any Note (other than a payment required by Sections 3.11 or 3.12);

(viii) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the Indenture, except in accordance with the terms of the Indenture; or

(ix) make any change in the preceding amendment and waiver provisions.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of the Notes with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of the Indenture.

SECTION 8.3. Compliance with Trust Indenture Act. Every amendment to the Indenture or the Notes shall comply in form and substance with the TIA as then in effect.

SECTION 8.4. Revocation and Effect of Consents. A consent to an amendment (which includes a supplement) or waiver by a Holder is a continuing consent by the Holder and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to his or her Note or portion of a Note if the Trustee receives written notice of revocation at any time prior to (but not after) the date the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Notes have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver or to take any other action under the Indenture. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of the Notes required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it is of the type described in any of clauses (i) through (ix) of Section 8.02 hereof. In such case, the amendment or waiver shall bind each Holder who has consented to it and every subsequent Holder that evidences the same debt as the consenting Holder's Note.

SECTION 8.5. Notation on or Exchange of Notes. If an amendment changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Note shall issue and the Trustee shall authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment.

SECTION 8.6. Trustee to Sign Amendments, Etc. The Trustee shall sign any amendment, waiver or Supplemental Indenture authorized pursuant to this Article if the amendment, waiver or Supplemental Indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment, waiver or Supplemental Indenture, the Trustee shall receive, and subject to Section 6.01 hereof, shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate, as conclusive evidence that such amendment, waiver or Supplemental Indenture is authorized or permitted by the Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE 9

SECTION 9.1. Notices to Trustee. If the Company elects to redeem Notes pursuant to the redemption provisions of Section 9.07, it shall furnish to the Trustee, at least 45 days but not more than 60 days before a Redemption Date (unless the Trustee consents in writing to a shorter period of at least 30 days prior to the Redemption Date), an Officers' Certificate setting forth the Redemption Date, the principal amount of such Notes to be redeemed and the Redemption Price.

SECTION 9.2. Selection of Notes to Be Redeemed. (a) If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(i) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(ii) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate.

The particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 days nor more than 60 days prior to the Redemption Date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. Notes and portions of them selected shall be in amounts of $1,000 or whole multiples of $1,000. Except as provided in the preceding sentence, provisions of the Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 9.3. Notices to Holders. (a) At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail in conformity with Section 11.02 a notice of redemption to each Holder whose Notes are to be redeemed, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

The Notice shall identify the Notes to be redeemed (including CUSIP numbers, if any) and shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date, upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued;

(iv) the name and address of the Paying Agent;

(v) that Notes called for redemption must be surrendered to the Paying Agent at the address specified in such notice to collect the Redemption Price;

(vi) that unless the Company defaults in making the redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Notes; and

(vii) the aggregate principal amount of Notes being redeemed.

If any of the Notes to be redeemed is in the form of a Global Note, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to redemptions.

(b) At the Company's request, the Trustee shall give the notice required in Section 9.03(a) in the Company's name; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the Redemption Date (unless the Trustee consents in writing to a shorter period at least 30 days prior to the Redemption Date), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in Section 9.03(a).

SECTION 9.4. Effect of Notices of Redemption. Once notice of redemption is mailed pursuant to Section 9.03, Notes called for redemption become due and payable on the Redemption Date at the Redemption Price. Upon surrender to the Paying Agent, such Notes shall be paid out at the Redemption Price.

SECTION 9.5. Deposit of Redemption Price. At or prior to 11:00 am New York City time on the Redemption Date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the Redemption Price of all Notes to be redeemed on that date. The Trustee or the Paying Agent shall

return to the Company any money not required for that purpose less the expenses of the Trustee as provided herein.

If the Company complies with the preceding paragraph, interest on the Notes or portions thereof to be redeemed (whether or not such Notes are presented for payment) will cease to accrue on the applicable Redemption Date. If any Note called for redemption shall not be so paid upon surrender because of the failure of the Company to comply with the preceding paragraph, then interest will be paid on the unpaid principal and premium, if any, from the Redemption Date until such principal and premium are paid and, to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 3.01.

SECTION 9.6. Notes Redeemed in Part. Upon surrender of a Note that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder, at the expense of the Company, a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

SECTION 9.7. Optional Redemption. (a) At any time and from time to time prior to March 1, 2007, the Company may, at its option, redeem all or a portion of the Notes at the Make-Whole Price plus accrued and unpaid interest to the redemption date.

(b) At any time and from time to time on or after March 1, 2007, the Company may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date.

TWELVE-MONTH PERIOD COMMENCING MARCH 1 IN YEAR	PERCENTAGE
2007	104.063%
2008	102.031%
2009 and thereafter	100.000%

Any redemption pursuant to this Section 9.07 shall be made, to the extent applicable, pursuant to the provisions of Sections 9.01 through 9.06.

SECTION 9.8. Redemption with Proceeds of Public Equity Offering. (a) At any time and from time to time prior to March 1, 2006, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds received by the Company from any Public Equity Offering

(excluding any net cash proceeds received from Williams or any of its Affiliates) at a redemption price equal to 108.125% of the principal amount plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, provided that

(i) in each case the redemption takes place not later than 90 days after the closing of the related Public Equity Offering, and

(ii) at least 65% of the aggregate principal amount of Notes remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries).

Any redemption pursuant to this Section 9.07 shall be made, to the extent applicable, pursuant to the provisions of Sections 9.01 through 9.06.

SECTION 9.9. Change of Control Offer. (a) A "CHANGE OF CONTROL OFFER" means an offer by the Company to purchase Notes as required by Section 3.11. A Change of Control Offer must be made by written offer (the "OFFER") sent to the Holders. The Company will notify the Trustee at least three Business Days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make a Change of Control Offer, and the offer will be sent by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

(b) The offer must include or state the following as to the terms of the Change of Control Offer:

(i) the provision of the Indenture pursuant to which the Change of Control Offer is being made;

(ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Company pursuant to the Change of Control Offer (the "PURCHASE AMOUNT");

(iii) the purchase price, including the portion thereof representing accrued interest;

(iv) a payment date (the "CHANGE OF CONTROL PAYMENT DATE") not less than 30 days or more than 60 days after the date of the offer;

(v) a description of the transaction or transactions constituting the Change of Control;

(vi) a Holder may tender all or any portion of its Notes, subject to the requirement that any portion of a Note tendered must be in a multiple of $1,000 principal amount;

(vii) the place or places where Notes are to be surrendered for tender pursuant to the Change of Control Offer;

(viii) each Holder electing to tender a Note pursuant to the offer will be required to surrender such Note at the place or places specified in the offer prior to the close of business on the Change of Control Payment Date (such Note being, if the Company or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(ix) interest on any Note not tendered will continue to accrue;

(x) on the Change of Control Payment Date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the Change of Control Payment Date;

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Company or the Trustee not later than the close of business on the Change of Control Payment Date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;

(xii) if Notes in an aggregate principal amount less than or equal to the Purchase Amount are duly tendered and not withdrawn pursuant to the Change of Control Offer, the Company will purchase all such Notes;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note will be issued; and

(xiv) if any Note contains a CUSIP or CINS number, no representation is being made as to the correctness of the CUSIP or CINS number either as printed on the Notes or as contained in the offer and that the Holder should rely only on the other identification numbers printed on the Notes.

(c) Prior to the Change of Control Payment Date, the Company will accept tendered Notes for purchase as required by the Change of Control Offer and deliver to the Trustee all Notes so accepted together with an Officers'

Certificate specifying which Notes have been accepted for purchase. On the Change of Control Payment Date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the Change of Control Payment Date. The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part, provided that each new Note will be in a principal amount of $1,000 or an integral multiple of $1,000.

(d) On the Change of Control Payment Date, the Company will, to the extent lawful:

(i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(iii) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

(e) The Company will comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Change of Control Offer, and the above procedures will be deemed modified as necessary to permit such compliance.

ARTICLE 10

GUARANTIES

SECTION 10.1. The Guaranties. Subject to the provisions of this Article, each Guarantor hereby irrevocably and unconditionally guarantees, jointly and severally, on an unsecured basis, the full and punctual payment (whether at Stated Maturity, upon redemption, purchase pursuant to an Change of Control Offer or acceleration, or otherwise) of the principal of, premium, if any, and interest on, and all other amounts payable under, each Note, and the full and punctual payment of all other amounts payable by the Company under the Indenture. Upon failure by

the Company to pay punctually any such amount, each Guarantor shall forthwith on demand pay the amount not so paid at the place and in the manner specified in the Indenture.

SECTION 10.2. Guarantee Unconditional. The obligations of each Guarantor hereunder are unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged or otherwise affected by

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under the Indenture or any Note, by operation of law or otherwise;

(ii) any modification or amendment of or supplement to the Indenture or any Note;

(iii) any change in the corporate existence, structure or ownership of the Company, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or its assets or any resulting release or discharge of any obligation of the Company contained in the Indenture or any Note;

(iv) the existence of any claim, set off or other rights which the Guarantor may have at any time against the Company, the Trustee or any other Person, whether in connection with the Indenture or any unrelated transactions, provided that nothing herein prevents the assertion of any such claim by separate suit or compulsory counterclaim;

(v) any invalidity or unenforceability relating to or against the Company for any reason of the Indenture or any Note, or any provision of applicable law or regulation purporting to prohibit the payment by the Company of the principal of or interest on any Note or any other amount payable by the Company under the Indenture; or

(vi) any other act or omission to act or delay of any kind by the Company, the Trustee or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of or defense to such Guarantor's obligations hereunder.

SECTION 10.3. Discharge; Reinstatement. Each Guarantor's obligations hereunder will remain in full force and effect until the principal of, premium, if any, and interest on the Notes and all other amounts payable by the Company under the Indenture have been paid in full. If at any time any payment of the principal of,

premium, if any, or interest on any Note or any other amount payable by the Company under the Indenture is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Company or otherwise, each Guarantor's obligations hereunder with respect to such payment will be reinstated as though such payment had been due but not made at such time.

SECTION 10.4. Waiver by the Guarantors. Each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person.

SECTION 10.5. Subrogation and Contribution. Upon making any payment with respect to any obligation of the Company under this Article, the Guarantor making such payment will be subrogated to the rights of the payee against the Company with respect to such obligation, provided that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Company hereunder or under the Notes remains unpaid.

SECTION 10.6. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Company under the Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration under the terms of the Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

SECTION 10.7. Limitation on Amount of Guarantee. Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Subsidiary Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

SECTION 10.8. Execution and Delivery of Guarantee. The execution by each Guarantor of the Indenture (or a Supplemental Indenture in the form of Exhibit B) evidences the Subsidiary Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after

authentication constitutes due delivery of the Subsidiary Guarantee set forth in the Indenture on behalf of each Guarantor.

SECTION 10.9. Release of Guarantee. The Subsidiary Guarantee of a Guarantor will terminate upon

(i) any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) a Subsidiary of the Company, if the sale or other disposition complies with Section 3.12; or

(ii) the sale or other disposition of all of the Capital Stock of a Guarantor to a Person that is not (either before or after giving effect to such transaction) a Subsidiary of the Company, if the sale or other disposition complies with Section 3.12; or

(iii) the Company designating any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture; or

(iv) defeasance or discharge of the Notes, as provided in Article VII.

Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the foregoing effect, the Trustee will execute any documents reasonably required in order to evidence the release of the Guarantor from its obligations under its Subsidiary Guarantee.

ARTICLE 11

MISCELLANEOUS

SECTION 11.1. Trust Indenture Act Controls. If any provision of the Indenture limits, qualifies or conflicts with another provision which is required to be included in the Indenture by the TIA, the required provision shall control. If the Indenture excludes any provision of the TIA that is required to be included, such provision shall be deemed included herein.

SECTION 11.2. Notices. Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed

by mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Northwest Pipeline Corporation
295 Chipeta Way
Salt Lake City, Utah 84108
Telecopier No.: (801) 584-7862
Attention: Legal Department

If to the Trustee:

JPMorgan Chase Bank
Institutional Trust Services
4 New York Plaza-15th Floor
New York, New York 10004
Telecopier No.: (212) 623-6167
Attention: Joanne Adamis

Each of the Company and the Trustee by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed by registered or certified mail; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Any notice or communication to a Holder shall be mailed by first-class mail, postage prepaid, to the Holder's address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications, including without limitation notices to the Trustee or the Company by Holders, shall be in writing, except as set forth below, and in the English language.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice required by the Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

SECTION 11.3. Communication by Holders with Other Holders. Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under the Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 11.4. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under the Indenture, the Company shall furnish to the Trustee:

(i) an Officers' Certificate (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in the Indenture relating to the proposed action have been complied with; and

(ii) an Opinion of Counsel (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

Notwithstanding the foregoing, no such Opinion of Counsel shall be required in connection with the issuance of the Series A Notes pursuant to the Original Offering.

SECTION 11.5. Statements Required in Certificate or Opinion. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture shall include:

(i) a statement that the Person making such certificate or opinion has read such covenant or condition;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 11.6. Rules by Trustee and Agents. The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or the Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.7. Legal Holidays. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 11.8. No Recourse Against Others. No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture, the Subsidiary Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

SECTION 11.9. Governing Law. This Indenture and the Notes shall be governed by and constructed in accordance with the laws of the State of New York (including without limitation Section 5-1401 of the New York General Obligations Law or any successor to such statute).

SECTION 11.10. No Adverse Interpretation of Other Agreements. This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company, or any other Subsidiary of the Company. Any such indenture, loan or debt agreement may not be used to interpret the Indenture.

SECTION 11.11. Successors. All agreements of the Company in the Indenture and the Notes shall bind its successors. All agreements of the Trustee in the Indenture shall bind its successors.

SECTION 11.12. Severability. In case any provision in the Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.13. Counterpart Originals. The parties may sign any number of copies of the Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 11.14. Table of Contents, Headings, Etc. The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of the

Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the day and year first above written.

Company:

NORTHWEST PIPELINE
CORPORATION

By: /s/ Steven J. Malcolm

Name: Steve J. Malcolm
Title: Chairman of the Board

Trustee:

JPMORGAN CHASE BANK

By: Joanne Adams

Name: Joanne Adams
Title: Vice President

EXHIBIT A

[FACE OF SECURITY]

[Global Notes Legend]

[UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. THE DEPOSITORY TRUST COMPANY SHALL ACT AS THE DEPOSITARY UNTIL A SUCCESSOR SHALL BE APPOINTED BY THE COMPANY AND THE REGISTRAR. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]*

[Transfer Restricted Notes Legend]

THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING ITS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A INSIDE THE U.S., (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE U.S. WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE COMPANY, THE TRUSTEE AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THIS TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "U.S." AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

NORTHWEST PIPELINE CORPORATION

8 1/8% Series [A/Exchange] Note due 2010

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* This paragraph should be included only if the Note is a Global Note.

CUSIP [_____]

No. ___ $_____

Northwest Pipeline Corporation, a Delaware corporation (the "Company"), for value received promises to pay to _____ or registered assigns, the principal sum of _____ United States Dollars [or such greater or lesser amount as is indicated on the Schedule of Exchanges of Notes on the other side of this Note]* on March 1, 2010.

Interest Payment Dates: March 1 and September 1

Record Dates: February 15 and August 15

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

- ---

* This paragraph should be included only if the Note is a Global Note.

IN WITNESS WHEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated: March 4, 2003

NORTHWEST PIPELINE CORPORATION

By:

Name:
Title:

Certificate of Authentication:

JPMORGAN CHASE BANK,
as Trustee, certifies that this is one of the Notes
referred to in the within-mentioned Indenture.
By:
Authorized Signatory

[REVERSE OF SECURITY]

NORTHWEST PIPELINE CORPORATION

8 1/8% Series [A/Exchange] Senior Note due 2010

This Note is one of a duly authorized issue of 8 1/8% Series [A/Exchange] Senior Notes due 2010 (the "Notes") of Northwest Pipeline Corporation, a Delaware corporation (the "Company").

1. Interest. The Company promises to pay interest on the principal amount of this Note at 8 1/8% per annum from March 4, 2003 until maturity. The Company will pay interest semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), or if any such day is not a Business Day, on the next succeeding Business Day, to the holder of record at the close of business on February 15 or August 15 immediately preceding such Interest Payment Date. Interest on the Notes will accrue from the most recent Interest Payment Date on which interest has been paid or, if no interest has been paid, from March 4, 2003; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be September 1, 2003. Further, the Company shall pay interest on overdue principal and premium, if any, from time to time on demand at a rate equal to the interest rate then in effect; it shall pay interest on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

[The Holder of this Note is entitled to the benefits of a registration rights agreement, dated as of March 4, 2003, between the Company and the Initial Purchasers named therein (the "Registration Rights Agreement"). In the event that a Registration Default (as defined in the Registration Rights Agreement) occurs, liquidated damages ("Liquidated Damages") will accrue on the affected Transfer Restricted Notes and the affected Private Exchange Notes, as applicable. The rate of Liquidated Damages will be $0.05 per week per $1,000 principal amount of Transfer Restricted Notes and affected Private Exchange Notes held by such Holder for the first 90-day period immediately following the occurrence of a Registration Default, increasing by an additional $0.05 per week per $1,000 principal amount of Transfer Restricted Notes and affected Private Exchange Notes with respect to each subsequent 90-day period thereafter up to a maximum amount of Liquidated Damages for all Registration Defaults of $0.50 per week per $1,000 principal amount of Transfer Restricted Notes and affected Exchange Notes, from and including the date on which any such Registration Default shall occur to, but excluding, the earlier of (1) the date on which all Registration Defaults have been cured or (2) the date on which all Transfer Restricted Notes and Private Exchange Notes otherwise become freely transferrable by Holders

other than affiliates of the Company without further registration under the Securities Act.]**

2. Ranking. The Notes are senior unsecured obligations of the Company.

3. Redemption and Repurchase; Discharge Prior to Redemption or Maturity. (a) At any time and from time to time prior to March 1, 2007, the Company may, at its option, redeem the Notes, in whole or in part, at the Make-Whole Price plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date.

"Make-Whole Amount" with respect to a Note means an amount equal to the excess, if any, of (1) the present value of the remaining interest, premium and principal payments due on such Note (excluding any portion of such payments of interest accrued as of the Redemption Date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (2) the outstanding principal amount of such Note.

"Make-Whole Average Life" means the number of years (calculated to the nearest one-twelfth) between the Redemption Date and the Stated Maturity of the Notes.

"Make-Whole Price" means the sum of the outstanding principal amount of the Notes to be redeemed plus the Make-Whole Amount for such Notes.

"Treasury Rate" is defined as the yield to maturity (calculated on a semi-annual bond-equivalent basis) at the time of the computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (510), which has become publicly available at least two business days prior to the date of the redemption notice or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining maturity of the Notes; provided that if the Make-Whole Average Life of such note is not equal to the constant maturity of the United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the Make-Whole Average Life of such Note is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

- ---

** Include only for Transfer Restricted Notes and Private Exchange Notes.

(b) At any time and from time to time on or after March 1, 2007, the Company may, at its option, redeem the Notes, in whole or in part, at a redemption price equal to the percentage of their principal amount set forth below plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date, if redeemed during the twelve-month period beginning on March 1 of the years indicated below:

Twelve-Month Period Commencing in Year	Percentage
2007	104.063%
2008	102.031%
2009 and thereafter	100.000%

(c) At any time and from time to time prior to March 1, 2006, the Company may, at its option, redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds received by the Company from any Public Equity Offering (excluding any net cash proceeds received from Williams or any of its Affiliates) at a redemption price equal to 108.125% of their principal amount plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date; provided that (1) in each case the redemption takes place not later than 90 days after the closing of the related Public Equity Offering, and (2) at least 65% of the aggregate principal amount of Notes remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries).

(d) This Note may be the subject of a Change of Control Offer and/or an Asset Sale Offer, each as further described in the Indenture.

(e) If the Company deposits with the Trustee money or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, if any, and accrued interest and Liquidated Damages on the Notes to the Redemption Date or the Maturity Date, as the case may be, the Company may in certain circumstances specified in the Indenture be discharged from the Indenture and the Notes or may be discharged from certain of its obligations under the Indenture.

(f) Periodic interest installments with respect to which the Interest Payment Date is on or prior to any Redemption Date will be payable to Holders of record at the close of business on the relevant record dates referred to herein, all as provided in the Indenture.

(g) Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at his registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. On or after the Redemption Date interest will cease to accrue on Notes or on the portions thereof called for redemption, as the case may be.

4. Paying Agent and Registrar. Initially, JPMorgan Chase Bank, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar, co-registrar or additional paying agent without notice to any Holder. The Company or any of its subsidiaries may act in any such capacity.

5. Indenture. The Company issued the Notes under an Indenture dated as of March 4, 2003 (as amended, supplemented or otherwise modified form time to time, the "Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb), as in effect on the date of execution of the Indenture (the "TIA"). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. Capitalized terms used but not defined in this Note have the respective meanings given to such terms in the Indenture.

6. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Notes during the period between a record date and the corresponding Interest Payment Date.

7. Persons Deemed Owners. The registered Holder of a Note shall be treated as its owner for all purposes.

8. Amendments and Waivers. Subject to certain exceptions and limitations, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and compliance in a particular instance by the Company with any provision of the Indenture may be waived (other than certain provisions, including any continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on the Notes) by the Holders of at least a majority in principal amount of the Notes then outstanding in accordance with the terms of the Indenture. Without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Notes (i) to cure any ambiguity, omission, defect or inconsistency; (ii) to provide for the assumption of the Company's obligations to Holders of Notes in the case of a merger, consolidation or sale of all or substantially all of the assets of the Company; (iii) to provide for uncertificated Notes in addition to or in place of certificated Notes; (iv) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture; (v) to make any change that would provide any additional rights or

benefits to the Holders of Notes or that does not adversely affect the legal rights under the Indenture of any such Holder; (vi) to provide for the acceptance of appointment under the Indenture of a successor Trustee in compliance with the provisions of the Indenture; or (vii) to comply with any requirements of the Commission under the Securities Act or the Exchange Act or in order to effect or maintain the qualification of the Indenture under the TIA.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Notes with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of the Indenture.

Without the consent of each Holder affected, an amendment, supplement or waiver under the Indenture may not (i) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver, (ii) reduce the rate of or change the time for payment of interest or Liquidated Damages on any Note, (iii) reduce the principal of or change the fixed maturity of any Note or alter the provisions (including, without limitation, the amount of any premium or the price thereunder) with respect to the redemption of the Notes (other than as specified in Section 8.02 of the Indenture), (iv) make any Note payable in money other than that stated in the Note, (v) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Liquidated Damages, if any, on the Notes, (vi) waive a redemption payment with respect to any Note (other than as specified in Section 8.02 of the Indenture); (vii) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the Indenture, except in accordance with the terms of the Indenture; or (viii) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Liquidated Damages, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration) or (ix) make any change in the preceding amendment and waiver provisions.

9. Defaults and Remedies. Events of Default include: (i) default in payment when due of interest or Liquidated Damages, if any, on the Notes for 30 days; (ii) default in payment when due of principal of, or premium, if any, on the Notes; (iii) failure by the Company to purchase Notes tendered pursuant to a Change of Control Offer or an Asset Sale Offer as described under and in accordance with the terms of Sections 3.11 and 3.12 of the Indenture, or failure of the Company or any Guarantor to comply with the provisions of Article IV of the Indenture relating to mergers and consolidations, (iv) failure by the Company or any of its Restricted Subsidiaries for 60 days after notice from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes, to comply with any of the other agreements in the Indenture; (v) certain defaults specified in Section 5.01(a)(v) of the Indenture under any mortgage, indenture or

instrument evidencing Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries); (vi) failure by the Company or any of its Subsidiaries to pay final judgments aggregating in excess of $15 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) except as permitted by the Indenture, any Subsidiary Guarantee being held in any judicial proceeding to be unenforceable or invalid or ceasing for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, denying or disaffirming its obligations under its Subsidiary Guarantee; and (viii) certain voluntary or involuntary events specified in Sections 5.01(a)(viii) and 5.01(a)(ix) of the Indenture involving bankruptcy, insolvency or reorganization of the Company. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare the principal of, and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all the Notes to be immediately due and payable, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization of the Company, any Subsidiary that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary specified in Sections 5.01(a)(viii) and 5.01(a)(ix) of the Indenture, all outstanding Notes will become due and payable immediately without further action or notice. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity reasonably satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it under the Indenture. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal or premium, if any, or interest) if and so long as it determines that withholding notice is in their interests. The Company must furnish an annual compliance certificate to the Trustee.

10. Trustee Dealings with the Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

11. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

12. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

13. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes as a convenience to the Holders of the Notes. No representation is made as to the accuracy of such numbers as printed on the Notes and reliance may be placed only on the other identification numbers printed thereon.

14. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

15. Governing Law. The Indenture and the Notes shall be governed by and constructed in accordance with, the laws of the State of New York.

16. [Additional Rights and Obligations of Holders of Transfer Restricted Notes. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transfer Restricted Notes and Private Exchange Notes shall have all the rights set forth in the Registration Rights Agreement applicable to such Notes. Each Holder of a Transfer Restricted Note or a Private Exchange Note, by his acceptance thereof, acknowledges and agrees to the provisions of such Registration Rights Agreement, including without limitation the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.]***

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

Northwest Pipeline Corporation
295 Chipeta Way
Salt Lake City, Utah 84108
Telephone No.: (801) 583-8800
Attention: Legal Department

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*** This paragraph should be included only if the Note is a Transfer Restricted Note or a Private Exchange Note.

ASSIGNMENT FORM

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

_____

(Insert assignee's social security or tax I.D. number)

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____as agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Date:_____

Your Signature:_____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee:_____

(Participant in a Recognized Signature Guaranty Medallion Program)

In connection with any transfer of any of the Notes evidenced by this certificate occurring prior to the expiration of the later of (i) the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Notes and the last date, if any, on which such Notes were owned by the Company or any Affiliate of the Company, and (ii) such later date, if any, as may be required by applicable law, the undersigned confirms that such Notes are being transferred as specified below:

CHECK ONE

(1) [ ] to the Company; or

(2) [ ] to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933;

or

(3) [ ] outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933; or

(4) [ ] pursuant to an effective registration statement under the Securities Act of 1933; or

(5) [ ] pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act of 1933, provided by Rule 144 thereunder.

and unless the box below is checked, the undersigned confirms that such Note is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933 (an "Affiliate"):

[ ] The transferee is an Affiliate of the Company.

Unless one of items (1) through (5) above is checked, the Trustee will refuse to register any of the Notes evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if item (3) or (5) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Notes, in their sole discretion, such written legal opinions, certifications (including an investment letter, and in the case of a transfer pursuant to item (3), a Regulation S Letter in substantially the form set forth below) and other information as the Trustee or the Company have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

If none of the foregoing items are checked, the Trustee or Registrar shall not be obligated to register this Note in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.06 of the Indenture shall have been satisfied.

Signed:
(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:_____

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Note for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933 and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:

Notice: to be executed by an executive officer****

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**** These paragraphs should be included only if the Note is a Transfer Restricted Note.

FORM OF REGULATION S LETTER TO BE DELIVERED
IN CONNECTION WITH TRANSFERS PURSUANT TO REGULATION S

_____, _____

JPMorgan Chase Bank, as Trustee.
Four New York Plaza, 15th Floor
New York, New York 10004
Telecopier No.: (212) 623-6167
Attention: Joanne Adamis

Re: 8 1/8% Series A Senior Notes due 2010 of Northwest Pipeline Corporation.

Ladies and Gentlemen:

In connection with our proposed sale of $_____ principal amount of the above referenced Notes (the "Notes"), we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Notes was not made to a person in the United States of America;

(2) at the time the buy order was originated, the transferee was outside the United States of America or we and any person acting on our behalf reasonably believed that the transferee was outside the United States of America;

(3) no directed selling efforts have been made by us, any of our affiliates or any person acting on our or their behalf in the United States of America in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and Northwest Pipeline Corporation are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used but not defined in this letter have the meanings set forth in Regulation S under the Securities Act.

Very truly yours,

[Name of Transferor]

By_____
Authorized Signature

SCHEDULE OF EXCHANGES OF NOTES****

The following exchanges, redemptions or repurchases of a part of this Global Note have been made:

Date of Transaction	Amount of decrease in Principal Amount of Global Note	Amount of increase in Principal Amount of Global Note	Principal Amount of Global Note following such decrease (or increase)	Signature of authorized Officer, Trustee or Notes Custodian

- ---

**** This Schedule should be included only if the Note is a Global Note.

EXHIBIT B

SUPPLEMENTAL INDENTURE

dated as of _____, ____

among

NORTHWEST PIPELINE CORPORATION,

[The Guarantor(s) Party Hereto]

and

JPMORGAN CHASE BANK,
as Trustee

8%
Senior Notes due
2010

B-1

THIS SUPPLEMENTAL INDENTURE (this "SUPPLEMENTAL INDENTURE"), entered into as of _____, ____, among Northwest Pipeline Corporation, a Delaware corporation (the "COMPANY"), [insert each Guarantor executing this Supplemental Indenture and its jurisdiction of incorporation] (each an "UNDERSIGNED") and JPMorgan Chase Bank, as trustee (the "TRUSTEE").

RECITALS

WHEREAS, the Company, the Guarantors party thereto and the Trustee entered into the Indenture, dated as of March 4, 2003 (the "INDENTURE"), relating to the Company's 8_% Senior Notes due 2010 (the "NOTES");

WHEREAS, as a condition to the Trustee entering into the Indenture and the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any newly acquired or created Domestic Restricted Subsidiaries to provide Guaranties.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties to this Supplemental Indenture hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 10 thereof.

SECTION 3. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

SECTION 5. This Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this Supplemental Indenture will henceforth be read together.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

NORTHWEST PIPELINE
CORPORATION, as Issuer

By:

Name:
Title:

[GUARANTOR]

By:

Name:
Title:

JPMORGAN CHASE BANK, as Trustee

By:

Name:
Title:

EXHIBIT 10.1

PURCHASE AGREEMENT

BY AND AMONG

WILLIAMS GAS PIPELINE COMPANY, LLC

AS SELLER,

THE WILLIAMS COMPANIES, INC.

(SOLELY WITH RESPECT TO ITS OBLIGATIONS UNDER SECTION 4.10)

AND

LOEWS PIPELINE HOLDING CORP.,

AS BUYER,

FOR THE PURCHASE AND SALE OF

ALL THE CAPITAL STOCK

OF

TEXAS GAS TRANSMISSION CORPORATION,

A DELAWARE CORPORATION

DATED AS OF

APRIL 11, 2003

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "AGREEMENT") is made and entered into as of this 11th day of April, 2003, by and among WILLIAMS GAS PIPELINE COMPANY, LLC, a Delaware limited liability company ("SELLER"), THE WILLIAMS COMPANIES, INC., a Delaware corporation ("PARENT") (solely with respect to its obligations under Section 4.10 hereof), and LOEWS PIPELINE HOLDING CORP., a Delaware corporation ("BUYER").

W I T N E S S E T H:

WHEREAS, Seller owns 100% of the issued and outstanding capital stock (the "SHARES") of Texas Gas Transmission Corporation, a Delaware corporation (the "COMPANY"); and

WHEREAS, Parent owns 100% of the issued and outstanding limited liability company interests of Seller; and

WHEREAS, Buyer desires to purchase the Shares from Seller, and Seller desires to sell the Shares to Buyer, in each case upon the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein, the parties hereto hereby agree as follows:

ARTICLE I.
SALE AND PURCHASE

SECTION 1.1. AGREEMENT TO SELL AND TO PURCHASE; CLOSING.

(a) On the Closing Date (as hereinafter defined), and upon the terms and subject to the conditions set forth in this Agreement, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase and accept from Seller, all of the Shares, free and clear of any pledges, restrictions on transfer, proxies and voting or other agreements, liens, claims, charges, mortgages, security interests or other legal or equitable encumbrances, limitations or restrictions of any nature whatsoever other than as may be set forth in the Organizational Documents (as defined in Section 2.2) of the Company ("ENCUMBRANCES").

(b) The closing of such sale and purchase (the "CLOSING") shall take place at 10:00 a.m. (Houston, Texas time) at the offices of Andrews & Kurth LLP in Houston, Texas (or at such other location as the parties hereto shall agree in writing) no later than five (5) business days after the satisfaction of the conditions to Closing contained in Articles V and VI (other than those conditions that by their nature are to be fulfilled at Closing), or at such other time and date as the parties hereto shall agree in writing (the "CLOSING DATE"). At the Closing, Seller shall deliver to Buyer the stock certificates representing the Shares duly endorsed in blank, or accompanied by stock powers duly executed in blank in form and substance reasonably acceptable to Buyer and Seller (the "STOCK TRANSFER"). In full consideration and exchange for the Shares, Buyer shall thereupon pay to Seller the Purchase Price as provided in Section 1.2 at the times and in the manner described in Sections 1.2 and 1.3. Notwithstanding that the Purchase Price shall be

subject to subsequent adjustment pursuant to Section 1.3, the delivery of the Estimated Purchase Price to Seller under Section 1.2(b) shall result in the full and final sale of the Shares.

SECTION 1.2. PURCHASE PRICE; PAYMENT OF ESTIMATED PURCHASE PRICE AT CLOSING.

(a) The purchase price for the Shares (the "PURCHASE PRICE") shall be $795,000,000.00 as such amount is adjusted in accordance with Section 1.3. In addition, Buyer acknowledges that the Company has outstanding Funded Debt in the principal amount of $250,000,000.00 (as of December 31, 2002), as further described on Schedule 1.2, plus accrued and unpaid interest thereon.

(b) On the Closing Date, Buyer shall deliver to Seller $795,000,000.00 as adjusted pursuant to subsection (c) below (the "ESTIMATED PURCHASE PRICE"). Payment to Seller shall be paid by wire transfer to Seller of immediately available funds made to a bank account in the United States of America designated in writing by Seller not less than three (3) business days before the Closing Date.

(c) At the Closing, Seller shall deliver to Buyer a certificate setting forth its best estimate of the Working Capital as of the Closing Date based on the same procedures described in Section 1.3 for determining the Working Capital (the "ESTIMATED WORKING CAPITAL"). If Estimated Working Capital exceeds Working Capital on the Base Statement, then the amount to be paid to Seller at Closing under subsection (b) above shall be increased by the amount of such excess. If Working Capital on the Base Statement exceeds Estimated Working Capital, then the amount to be paid to Seller under subsection (b) above shall be decreased by the amount of such excess.

SECTION 1.3. ADJUSTMENT TO PURCHASE PRICE.

(a) Schedule 1.3 sets forth the Working Capital of the Company as of December 31, 2002 (the "BASE STATEMENT") based on the Financial Statements and as such is determined in accordance with this Agreement. "WORKING CAPITAL" shall mean Current Assets less Current Liabilities. "CURRENT ASSETS" shall mean current assets of the Company as reflected in the consolidated financial statements of the Company as of the relevant date of determination. "CURRENT LIABILITIES" shall mean the current liabilities of the Company as reflected in the consolidated financial statements of the Company as of the relevant date of determination. Notwithstanding the foregoing, for purposes of calculating Working Capital, none of the following shall be included in Current Assets or Current Liabilities: (i) the current assets and current liabilities, if any, of the Retained Entities; (ii) assets or liabilities of the Company related to deferred Taxes or the payment of Taxes (including Taxes for which Seller is liable under Section 4.10); (iii) the current portion of any principal payment obligation of Funded Debt; (iv) assets related to prepaid insurance; (v) intercompany receivables or intercompany payables (that is, receivables from or payables to Seller or any of its Affiliates (other than the Company)); (vi) any current assets or current liabilities related to the matters being retained by the Seller under Section 8.2(a)(iv), Section 8.2(a)(v), and Section 8.2(a)(vi); (vii) transportation and exchange gas receivables and payables, storage gas receivables and payables, costs recoverable from customers and gas stored underground; (viii) any reversal of current liability reserves or reversals of current assets reserves, including contra-assets accounts for current assets (including

allowances for doubtful accounts); (ix) any current liabilities relating to checks that have been issued but have not yet cleared the bank accounts; (x) any changes to current assets and current liabilities resulting from a reclassification of any assets and liabilities included in the Financial Statements; or (xi) any changes to current assets or current liabilities resulting from the accrual of liability in respect of FAS 112 long term disability to the extent relating to the salary component. Within 60 days following the Closing Date, Buyer shall prepare and deliver to Seller a statement (the "CLOSING STATEMENT"), which shall set forth in reasonable detail (A) the amount of Working Capital of the Company as of the Closing Date based upon a detailed balance sheet prepared as of the Closing Date on a basis consistent with the balance sheet included in the Base Statement; (B) a copy of such Closing Date balance sheet and (C) a calculation of the adjustment to the Purchase Price that is payable based upon the difference between the Estimated Working Capital (as defined in Section 1.2(c)) and the Working Capital in the Closing Statement. Seller agrees, at no cost to Buyer, to give Buyer and its authorized representatives reasonable access (provided that in their sole discretion Seller or its representatives may accompany Buyer and its representatives) to such employees, officers and other facilities and such books and records of Seller as are reasonably necessary to allow Buyer and its authorized representatives to prepare the Closing Statement. The Base Statement shall be prepared in accordance with GAAP (as defined in Section 2.7) and on a basis consistent with the Financial Statements using the same accounting methods, policies, practices, procedures and adjustments as were used in the preparation of the Financial Statements (except as set forth in this Section 1.3 and in Schedule 1.3). The Closing Statement shall be prepared in accordance with GAAP and on a basis consistent with the Financial Statements, using the same accounting methods, policies, practices, procedures and adjustments as were used in the preparation of the Base Statement, except that Current Liabilities in the Closing Statement shall include as a liability the amount, if any, by which the accrual of liability (whether current or long term) in respect of FAS 112 long term disability to the extent relating to the salary component exceeds $2,500,000.00.

(b) Following its receipt from Buyer of the Closing Statement, Seller shall have 30 days to review the Closing Statement and to inform Buyer in writing of any disagreement which it may have with the Closing Statement, which objection (i) shall specify in reasonable detail Seller's disagreement with the Closing Statement and (ii) shall include a detailed adjusted balance sheet prepared as of the Closing Date reflecting the adjustments and changes requested by Seller (the "OBJECTION"). Buyer agrees, at no cost to Seller, to give Seller and its authorized representatives reasonable access to such employees, officers and other facilities and such books and records of the Company as are reasonably necessary to allow Seller and its authorized representatives to review and confirm the Closing Statement prepared by Buyer. If Buyer does not receive the Objection within such 30-day period, the amount of Working Capital set forth on the Closing Statement delivered pursuant to Section 1.3(a) shall be deemed to have been accepted by Seller and shall become binding upon Seller. If Seller does timely deliver an Objection to Buyer, Buyer shall then have 10 days from the date of receipt of such Objection (the "REVIEW PERIOD") to review and respond to the Objection. Buyer and Seller shall attempt in good faith to resolve any disagreements with respect to the determination of Working Capital of the Company as of the Closing Date or the amount of the adjustment to the Purchase Price. If they are unable to resolve all of their disagreements with respect to the determination of Working Capital of the Company as of the Closing Date or the amount of the adjustment to the Purchase Price within 10 days following the expiration of Buyer's Review Period, they may refer, at the

option of either Buyer or Seller, their differences to PriceWaterhouseCoopers, L.L.C., or if PriceWaterhouseCoopers, L.L.C. declines to accept such engagement, a nationally recognized firm of independent public accountants selected jointly by Buyer and Seller, who shall determine only with respect to the differences so submitted, whether and to what extent, if any, the amount of Working Capital of the Company as of the Closing Date set forth in the Closing Statement requires adjustment. If Buyer and Seller are unable to so select the independent public accountants within five days of PriceWaterhouseCoopers, L.L.C. declining to accept such engagement, either Buyer or Seller may thereafter request that the CPR Institute for Dispute Resolution make such selection (as applicable, PriceWaterhouseCoopers, L.L.C., the firm selected by Buyer and Seller or the firm selected by the CPR Institute for Dispute Resolution is referred to as the "CPA FIRM"). Buyer and Seller shall direct the CPA Firm to use its reasonable best efforts to render its determination within 30 days after the issue is first submitted to the CPA Firm. The CPA Firm's determination shall be conclusive and binding upon Buyer and Seller. The fees and disbursements of the CPA Firm shall be shared equally by Buyer and Seller. Buyer and Seller shall make readily available to the CPA Firm all relevant books and records relating to the Closing Statement and all other items reasonably requested by the CPA Firm. The Closing Statement as agreed to by Buyer and Seller or as determined by the CPA Firm shall be referred to as the "FINAL CLOSING STATEMENT."

(c) If Working Capital on the Final Closing Statement exceeds Estimated Working Capital, then Buyer shall pay to Seller in cash the amount of such excess. If Estimated Working Capital exceeds Working Capital on the Final Closing Statement, then Seller shall pay to Buyer in cash the amount of such excess. All amounts payable under this Section 1.3(c) shall be paid within three business days of the determination of the Final Closing Statement by wire transfer of immediately available funds to a bank account in the United States of America designated in writing by the recipient not less than one business day before such payment.

(d) Seller and Buyer hereby agree that, on or before the Closing Date, Seller shall take all such actions as may be necessary or appropriate to pay in full, offset, dividend or distribute to the Seller or its Affiliates or otherwise to cancel without payment, all intercompany accounts (whether classified as short-term or long term accounts) between the Company, on the one hand, and Seller and any Person which, as of the date of this Agreement, is or, prior to Closing, becomes an Affiliate of Seller (other than the Company), on the other hand, other than amounts due under the contract described in Item 2 of Schedule 2.16(e); provided, however, that Buyer may, on or prior to May 1, 2003, notify Seller that Buyer shall assume from Seller, as of the Closing Date, Seller's obligations to Company that are reflected in the outstanding balance as of the Closing Date of "Advances to Affiliates" shown in the Closing Statement pursuant to the Intercompany Note Agreement described on Schedule 2.16(c). Any assumption of liabilities by Buyer under the previous sentence shall be implemented by an assignment and assumption agreement reasonably acceptable to Seller. Seller shall be responsible for all checks issued in connection with the Company prior to the Closing Date but that have not cleared as of the Closing Date.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES OF SELLER

As of the date hereof, Seller hereby represents and warrants to Buyer as follows:

SECTION 2.1. CORPORATE ORGANIZATION.

The Company is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware. Seller is a limited liability company, duly formed, validly existing and in good standing under the laws of the state of Delaware. The Company has all requisite power and authority and all governmental licenses, authorizations, permits, consents and approvals to own its properties and assets and to conduct its business as now conducted, except where the failure to have such licenses, authorizations, permits, consents and approvals would not have a Material Adverse Effect (as defined in Section 9.16). The Company is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not individually or in the aggregate be reasonably likely to have a Material Adverse Effect. Schedule 2.1 sets forth all of the jurisdictions in which the Company is qualified to do business.

SECTION 2.2. CAPITALIZATION; TITLE.

All of the outstanding Shares of the Company are owned of record and beneficially by Seller. All of the Shares have been validly issued and are fully paid and nonassessable. Except for this Agreement, there are no outstanding options, warrants, agreements, conversion rights, preemptive rights or other rights to subscribe for, purchase or otherwise acquire the Shares. There are no voting trusts or other agreements or understandings to which Seller or the Company is a party with respect to the voting of the Shares. There is no indebtedness of the Company having general voting rights issued and outstanding. Except for this Agreement, there are no outstanding obligations of any Person to repurchase, redeem or otherwise acquire outstanding Shares or any securities convertible into or exchangeable for any Shares. Seller has valid and marketable title to the Shares free and clear of any Encumbrances. True and correct copies of the Organizational Documents (defined below) of the Company with all amendments thereto to the date hereof, have been made available by Seller to the Buyer or its representatives. "ORGANIZATIONAL DOCUMENTS" shall mean certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, partnership or limited partnership agreements or other formation or governing documents of a particular entity.

SECTION 2.3. SUBSIDIARIES AND EQUITY INTERESTS.

TGT Sub and the LLC are the only subsidiaries, direct or indirect, of the Company, and except for the ownership interests in the Retained Entities and as provided in Schedule 2.3, the Company does not own, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments in any other Person. The Company is not subject to any obligation or requirement to make any investment (in the form of a loan, capital contribution or similar payment) to or in any other Person, except as provided in Schedule 2.3. The Company

does not have any rights to acquire by any means, directly or indirectly, any capital stock, voting rights, equity interests or investments in another Person.

SECTION 2.4. VALIDITY OF AGREEMENT; AUTHORIZATION.

Each of Seller and Parent has the power to enter into this Agreement and the Transaction Documents (as defined herein) to which such Person is a party and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Transaction Documents to which Seller or Parent is a party and the performance by Seller or Parent of its obligations hereunder and thereunder have been duly authorized by the Board of Directors of Parent and the Management Committee of Seller, and no other proceedings on the part of Seller or Parent are necessary to authorize such execution, delivery and performance. This Agreement and the Transaction Documents to which Seller or Parent is a party have been duly executed by such Person and constitute such Person's valid and binding obligation enforceable against such Person in accordance with their terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

SECTION 2.5. NO CONFLICT OR VIOLATION.

Except as set forth on Schedule 2.5, the execution, delivery and performance by Seller and Parent of this Agreement and the Transaction Documents to which Seller or Parent is a party does not and will not: (a) violate or conflict with any provision of the Organizational Documents of Seller or Parent; (b) violate any applicable provision of law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any foreign, federal, tribal, state or local government, court, arbitrator, agency or commission or other governmental or regulatory body or authority ("GOVERNMENTAL AUTHORITY"); (c) violate, result in a breach of, constitute (with due notice or lapse of time or both) a default or cause any obligation, penalty or premium to arise or accrue under any contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which Seller, Parent or the Company is a party or by which either of them is bound or to which any of their respective properties or assets is subject; (d) result in the creation or imposition of any Encumbrance upon any of the properties or assets of the Company; or (e) result in the cancellation, modification, revocation or suspension of any License (as defined in Section 2.13) of the Company, except in the cases of clauses (b) - (e) above as would not be reasonably likely to have a Material Adverse Effect.

SECTION 2.6. CONSENTS AND APPROVALS.

Except as disclosed on Schedule 2.6, no material consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person (on the part of Seller or the Company), is required as a condition to the execution and delivery of this Agreement and the Transaction Documents to which either of them is a party or the performance of their respective obligations hereunder or thereunder.

SECTION 2.7. FINANCIAL STATEMENTS.

(a) Seller has heretofore furnished to Buyer copies of the audited consolidated financial statements of the Company as of December 31, 2002 and the notes thereto (the "FINANCIAL

STATEMENTS"). The Financial Statements were prepared from the books and records of the Company in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby ("GAAP"). The Financial Statements present fairly in all material respects the consolidated financial position, results of operations and cash flows of the Company as of such dates and for the periods then ended.

(b) The Company has filed all required forms, reports and documents, and amendments thereto, with the SEC since January 1, 2001 (the "SEC REPORTS"), each of which complied in all material aspects with all applicable requirements of the Securities Act of 1933, as amended (the "SECURITIES ACT"), and the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), each as in effect on the dates such forms, reports, and documents, and amendments thereto were filed. None of the SEC Reports, including without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The consolidated financial statements of the Company included in the SEC Reports complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto as in effect on the dates such SEC Reports were filed, and fairly present, in all material respects and in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and their consolidated results of operations and statements of cash flows for the periods then ended (subject, in the case of the unaudited interim financial statements, to normal year end adjustments consistent with prior periods).

SECTION 2.8. ABSENCE OF CERTAIN CHANGES OR EVENTS.

Except as set forth in Schedule 2.8 and except for the intercompany receivables or payables that may be paid, cancelled or offset prior to Closing as contemplated in Section 1.3(d) hereof, since December 31, 2002, the business of the Company has been conducted in the ordinary course consistent with past practices and the Company has not taken any of the actions described in Section 4.1(a), except in connection with entering into this Agreement. Since December 31, 2002, there has not been any event or condition that has had or is reasonably likely to have a Material Adverse Effect, except as disclosed in Schedule 2.8.

SECTION 2.9. TAX MATTERS.

(a) For purposes of this Agreement, "TAX RETURNS" shall mean returns, reports, declarations, forms, claims for refund, exhibits, schedules, information statements and other documentation (including any additional or supporting material) filed or maintained, or required to be filed or maintained, in connection with the calculation, determination, assessment or collection of any Tax (defined below), whether or not any Tax is actually imposed, and shall include any amended returns, whether or not required as a result of examination adjustments made by the Internal Revenue Service ("IRS") or other Tax authority. For purposes of this Agreement, "TAX" or "TAXES" shall mean any and all federal, state, local, foreign and other taxes, levies, fees, imposts and duties of whatever kind (including any interest, penalties or additions to the tax imposed in connection therewith or with respect thereto), including, without

limitation, taxes imposed on, or measured by, income, franchise, profits or gross receipts, and also ad valorem, value added, sales, use, service, real or personal property, capital stock, license, payroll, withholding, employment, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits, transfer, environmental, alternative or add-on minimum and gains taxes and customs duties.

(b) Except as disclosed on Schedule 2.9, (i) the Company has filed (or joined in the filing of) when due all Tax Returns required by applicable law to be filed with respect to the Company other than those Tax Returns the failure of which to file would not have a Material Adverse Effect; (ii) all such Tax Returns were true, correct and complete in all material respects as of the time of such filing; (iii) all material Taxes owed by the Company (whether or not shown on any Tax Return) if required to have been paid, have been timely paid in full (except for Taxes which are being contested in good faith in appropriate proceedings); (iv) any material liability of the Company for Taxes not yet due and payable, or which are being contested in good faith in appropriate proceedings, has been fully provided for on the financial statements of the Company; (v) there is no action, suit, proceeding, investigation, audit or claim now pending against, or with respect to, the Company in respect of any material Tax or Tax assessment, nor is any claim for additional material Tax or Tax assessment asserted in writing by any Tax authority; (vi) since January 1, 1999, no written claim has been made by any Tax authority in a jurisdiction where the Company does not currently file a Tax Return that it is or may be subject to Tax by such jurisdiction, nor to Seller's Knowledge has any such assertion been threatened in writing; (vii) the Company has no outstanding request for any extension of time within which to pay its Taxes or file its Tax Returns; (viii) there has been no waiver or extension of any applicable statute of limitations for the assessment or collection of any Taxes of the Company; (ix) Seller and the LLC have at all times since their inception been treated as disregarded entities of Parent and the Company, respectively, for federal income tax purposes; (x) neither Parent nor Seller is a "foreign person" within the meaning of Section 1445 of the United States Internal Revenue Code of 1986, as amended (the "CODE"); (xi) the Company is not a party to any Tax sharing or other agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlements to refunds or similar Tax matters; (xii) the Company has withheld and paid all material Taxes required to be withheld and paid by the Company; (xiii) there are no liens for Taxes upon the Shares or any assets of the Company except for Taxes not yet due and payable; (xiv) no property of the Company is subject to the provisions of former Section 168(f)(8) of the Code; (xv) the Company has not made, is not obligated to make and is not a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Section 162(m) of the Code (or any corresponding provision of state, local or foreign law) or that would constitute an "excess parachute payment" under Section 280G of the Code (or any corresponding provisions of state, local or foreign law) without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future; (xvi) the Company has never been a member of an affiliated group filing a consolidated federal income Tax Return other than a group the common parent of which was Parent, and Parent is eligible to make the Section 338(h)(10) Election (as defined in Section 4.10(e)); (xvii) the Company will not be required to include any item of income in, or exclude any item of deduction or loss from, taxable income for any taxable period or portion thereof beginning on or after the Closing Date as a result of (A) a change in method of accounting for a taxable period beginning on or before the Closing Date, (B) any "closing agreement", as

described in Section 7121 of the Code (or any corresponding provision of state, local or foreign law) executed on or before the Closing Date, (C) any sale reported on the installment or open transaction method where such sale occurred on or prior to the Closing Date, (D) any prepaid amount received on or prior to the Closing Date, or (E) any intercompany transaction or excess loss account described in Treasury Regulations under Section 1502 of the Code (or similar provisions of state, local or foreign law); (xviii) the Company has not filed a consent under Section 341(f) of the Code; and (xix) Schedule 2.9 lists all income Tax Returns filed with respect to the Company for tax periods ending after December 31, 1998 and indicates those income Tax Returns that have been audited or which are currently under audit.

(c) Except for the representations and warranties in Section 2.18, the only representations and warranties given in respect of Tax matters are those contained in this Section 2.9 and none of the other representations and warranties herein shall be deemed to constitute, directly or indirectly, a representation and warranty in respect of Tax matters.

SECTION 2.10. ABSENCE OF UNDISCLOSED LIABILITIES.

Except as disclosed on Schedule 2.10, none of the Company, TGT Sub or the LLC has any material indebtedness, material obligation or material liability of any kind (whether known or unknown, accrued, absolute, contingent or otherwise), which is not shown or provided for on the consolidated balance sheet of the Company included in the Financial Statements other than liabilities incurred or accrued in the ordinary course of business (including liens of current taxes and assessments not in default) since December 31, 2002.

SECTION 2.11. REAL PROPERTY.

(a) Except as disclosed on Schedule 2.11(a) and except for Permitted Encumbrances:

(i) the Company owns valid and defensible fee title to, or holds a valid leasehold interest in, or a right-of-way or easement through (collectively, the "RIGHTS-OF-WAY"), all real property ("REAL PROPERTY") used or necessary for the conduct of its business as it is presently conducted; and

(ii) except for the Rights-of-Way and Real Property that are subject to clause (i), the Company has good and valid title to, or a valid leasehold interest in, all of the other material tangible assets and properties which it owns or leases.

(b) All Real Property and Rights-of-Way and such other material assets and properties owned or leased by the Company are owned or leased free and clear of all Encumbrances, except for, in each case, (i) Encumbrances set forth on Schedule 2.11(b), (ii) liens for current Taxes not yet due and payable or for Taxes the validity of which is being contested in good faith, (iii) Encumbrances which will be discharged on or prior to the Closing Date, (v) written agreements, laws, ordinances and regulations affecting building use and occupancy or reservations of interest in title (collectively, "PROPERTY RESTRICTIONS") imposed or promulgated by law or any Governmental Authority with respect to Real Property, including zoning regulations, provided they do not materially adversely affect the current use of the applicable Real Property, (v) mechanics', carriers', workmen's and repairmen's liens and other similar liens, charges, and claims arising or incurred in the ordinary course of business relating to obligations as to which

there is no default on the part of the Company or the validity of which are being contested in good faith by the Company, and (vi) Encumbrances, Property Restrictions, and Rights-of-Way that, individually and in the aggregate, do not materially detract from the value or materially interfere with the present use of the asset subject thereto (clauses (i) through (vi) above referred to collectively as "PERMITTED ENCUMBRANCES").

SECTION 2.12. INTELLECTUAL PROPERTY AND COMPUTER HARDWARE.

(a) Except as set forth in Schedule 2.12(a),

(i) Schedule 2.12(a) sets forth a complete and accurate list of all material Intellectual Property owned or used by the Company or by third parties on behalf of the Company in connection with its business. Except as set forth on Schedule 2.12(a), the Company owns all right, title and interest in and to, or has a valid and enforceable license or other right to use, in all material respects, all material Intellectual Property used by the Company in connection with its business, which represents all material Intellectual Property rights necessary for the Company to conduct its business as presently conducted;

(ii) to Seller's Knowledge, the Intellectual Property owned or used by the Company does not infringe upon the rights of any third party;

(iii) neither Seller nor any of its Affiliates (including the Company) has received any written notice or written claim challenging or questioning the validity or effectiveness of the Company's rights to any of the material Intellectual Property used by the Company in the conduct of its business;

(iv) the Company is not liable to any Person for any royalty or other compensation for any of the Intellectual Property used by the Company or by third parties on behalf of the Company in the conduct of its business; and

(v) Schedule 2.12(a)(v) sets forth a complete and accurate list of all material trademarks, material service marks and material trade names used exclusively by the Company; Schedule 2.12(a)(v) also sets forth a complete and accurate list of the trademarks, service marks and trade names owned by Seller or any of its Affiliates (other than the Company) that are used by the Company in the conduct of its business (collectively "SELLER'S MARKS").

(b) Computer hardware that is shared between other subsidiaries and the Company, and which is not owned by the Company, is not included in the transaction contemplated under this Agreement. A listing of such hardware, any related Software and the owner thereof, is identified in Schedule 2.12(b). None of the items listed in Schedule 2.12(b) is included as an asset in the balance sheet constituting a part of the Financial Statements.

SECTION 2.13. LICENSES, PERMITS AND GOVERNMENTAL APPROVALS.

Except as set forth on Schedule 2.13, the Company has all material licenses, material permits, material certificates, material franchises, material authorizations and material approvals

required to be issued or granted to the Company by any Governmental Authority necessary for the conduct of its business as currently conducted (each a "LICENSE" and, collectively, the "LICENSES"). Each such License has been issued to, and duly obtained and fully paid for by, the holder thereof and, in all material respects, is valid, in full force and effect. As used in this Section 2.13, the term License does not include any matters with respect to Intellectual Property, which are subject to Section 2.12, or any Environmental Permits, which are subject to Section 2.20(a)(iv).

SECTION 2.14. COMPLIANCE WITH LAW.

Except as relates to Tax matters (which are provided for in Section 2.9), or environmental (which are provided for in Section 2.20) and except as set forth on Schedule 2.14, since January 1, 2001, the operations of the Company have been conducted in material compliance with all applicable laws, regulations, orders and other requirements of all Governmental Authorities having jurisdiction over the Company and its assets, properties and operations. Neither Seller nor the Company has received written notice of any material violation of any such law, license, regulation, order or other legal requirement, or is in material default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority, applicable to the Company or any of its assets, properties or operations.

SECTION 2.15. LITIGATION.

(a) Except as set forth on Schedule 2.15,

(i) there are no Legal Proceedings (defined below) pending or, to the Knowledge of Seller, threatened against or involving the Company,

(ii) there are no Legal Proceedings pending or, to the Knowledge of Seller, threatened against or involving the Seller that, individually or in the aggregate, are reasonably likely to have a Material Adverse Effect or materially impair or delay the ability of Seller to perform its obligations under this Agreement or consummate the transactions contemplated by this Agreement, and

(iii) there is no order, judgment, injunction or decree of any Governmental Authority outstanding against Seller or the Company that, individually or in the aggregate, would have a Material Adverse Effect or materially impair or delay the ability of Seller to perform its obligations under this Agreement or consummate the transactions contemplated by this Agreement.

(b) "LEGAL PROCEEDING" shall mean any judicial, administrative or arbitral actions, suits, proceedings (public or private), or governmental proceedings before any Governmental Authority but shall not include any such actions, suits or proceedings that are subject to Section 2.20(a)(iii).

SECTION 2.16. CONTRACTS.

Schedule 2.16 sets forth (subject to the dollar amount limitations of clauses (a) or (b) below) a true and complete list of the following contracts, agreements, instruments and

commitments to which the Company is a party or otherwise relating to or affecting any of its assets, properties or operations, whether written or oral:

(a) contracts which require or could require future payments by the Company in excess of $100,000.00 per year;

(b) contracts which require or could require future payments to the Company of amounts greater than $250,000.00 but excluding all interruptible transportation agreements of the Company;

(c) loan agreements, letters of credit, repurchase agreements, mortgages, security agreements, guarantees, pledge agreements, trust indentures and promissory notes and similar documents relating to the borrowing of money or for lines of credit for which the Company has or could have any obligations or liability after the Closing;

(d) contracts that cannot be cancelled or terminated by the Company on 12 months' prior notice or less, but excluding all pipeline transportation contracts and contracts and agreements relating to the Company's Real Property or Rights-of-Way;

(e) contracts which are with an Affiliate of the Seller (the "AFFILIATE CONTRACTS"); and

(f) partnership or joint venture or non-compete agreements ((a) - (f) collectively, "MATERIAL CONTRACTS");

Each Material Contract is, in all material respects, (i) valid, binding and enforceable against the Company and, to Seller's Knowledge, each of the other parties thereto in accordance with its terms and (ii) in full force and effect on the date hereof. The Company and, to Seller's Knowledge, the other party or parties to any Material Contract have performed in all material respects all obligations required to be performed by them under, and are not in material default or material breach of in respect of, any Material Contract, and no event has occurred which, with due notice or lapse of time or both, would constitute such a material default or material breach. The Company has not, and to Seller's Knowledge, the other party or parties to any Material Contract have not, terminated, canceled, modified or waived any material term or condition of any Material Contract. Seller has made available to Buyer or its representatives true and complete originals or copies of all the Material Contracts (other than Material Contracts that are subject to a confidentiality agreement, the material terms of which have been described to Buyer) and a copy of every default notice received by Seller, the Company or any of their Affiliates during the past one year with respect to any of the Material Contracts. Other than the List C Contracts (as defined in Section 9.16), there are no contracts, agreements, instruments or commitments that are subject to the Agency Agreement, dated as of May 1, 1995, between the Company and Williams Energy Services Company, as amended.

SECTION 2.17. BROKERS.

Except as disclosed on Schedule 2.17, Seller has not employed the services of an investment banker, financial advisor, broker or finder in connection with this Agreement or any of the transactions contemplated hereby.

SECTION 2.18. EMPLOYEE PLANS.

(a) Except as disclosed on Schedule 2.18(a), none of Seller, the Company, or any of their Affiliates, sponsors or maintains, any "employee benefit plan," as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any other bonus, pension, stock option, stock purchase, stock appreciation right, equity incentive, welfare, profit-sharing, retirement, disability, vacation, severance, hospitalization, insurance, incentive, deferred compensation, compensation, fringe benefit, excess benefit plan, top-hat plan, rabbi trust, secular trust, nonqualified annuity contract, golden parachute payment (including all frozen plans and terminated plans that have not completed final distribution of their assets) or other material employee benefit plan, fund, trust, program or arrangement, in each of the foregoing cases which cover, are maintained for the benefit of, or relate to any or all current or former employees, directors or independent contractors of the Company or any of their dependents, survivors or beneficiaries, whether or not legally binding and whether oral or in writing ("EMPLOYEE PLANS"). Seller or the Company has made available to the Buyer complete and correct copies of each Employee Plan (or a written description thereof), and where applicable: (i) the most recent annual report on Form 5500, together with schedules, as required, and any required financial statements and opinions; (ii) the most recent determination letter issued by the IRS; (iii) the most recent summary plan description and all modifications (iv) any trust, insurance or annuity contracts maintained in connection therewith; and (v) the most recent actuarial valuation.

(b) Schedule 2.18(b) sets forth a list (i) showing the names of all of the employees of the Company (the "BUSINESS EMPLOYEES") showing for each: (i) hire date, current job title or description, current salary level (including any bonus or deferred compensation arrangements) and any bonus, commission or other remuneration paid during fiscal year 2002 describing any contractual arrangements with such employee; and (ii) identifying any Business Employees either currently on short-term or long-term disability under any Employee Plan. Neither Buyer nor the Company will incur any liability under any severance agreement, deferred compensation agreement, employment agreement or Employee Plan as a result of the consummation of the transactions contemplated under this Agreement. To Seller's Knowledge, none of the Business Employees is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of such employee's efforts to promote the interests of the Company or Buyer or that would conflict with the Company's business as presently conducted. Neither Seller nor the Company has received notice from any officer or group of Business Employees, that such person(s) intends to terminate their employment.

(c) Except as set forth on the applicable section of Schedule 2.18(c):

(i) each Employee Plan has been maintained and operated in substantial compliance with its terms and the requirements of applicable law, including the Code and ERISA; all required filings that are due for each such plan have been made; and any such plan that has terminated has completed the final distribution of its assets in accordance with its terms and such termination;

(ii) each Employee Plan intended to be "qualified" within the meaning of Section 401(a) or Section 501(c)(9) of the Code has received a favorable determination letter from the IRS (or timely filed for such determination); since the date of such determination letter, if any, there are, to the Seller's Knowledge, no circumstances that are likely to adversely affect the qualification of such plan; to Seller's Knowledge, there is no issue with respect to any such plan currently under examination by or pending before the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation ("PBGC") or any court, other than applications pending before the IRS; and any trust forming part of such plan is exempt from U.S. federal income tax under Section 501(a) of the Code;

(iii) all contributions (including all employee contributions and employee salary reduction contributions) and premium payments required to have been paid under or with respect to any Employee Plan have been timely paid; all contributions to such Employee Plans for any period ending on or prior to the Closing Date that are not yet due and payable have been accrued for in the books and records of the Company; all excess contributions, if any (together with any income allocable thereto) have been distributed (or, if forfeitable, forfeited) before the close of business of the first two and one-half months of the following plan year; and there is no material liability for excise Taxes under Section 4979 of the Code with respect to excess contributions, if any, for any such plan;

(iv) no Employee Plan provides health, life insurance or other welfare benefits to retirees or other terminated employees of the Company other than continuation coverage required by Section 4980B of the Code or Part 6 of Subtitle B of Title of ERISA ("COBRA") and Seller, the Company or their Affiliates, as applicable, has reserved the right to terminate any such postretirement health, life insurance or other welfare benefits upon thirty (30) days' notice or less without any material liability therefor and has taken no action, including, without limitation, adopting any board resolutions, that would contravene such reservation of rights; and there is no material liability for Taxes with respect to disqualified benefits under Section 4976 of the Code;

(v) no Employee Plan is a multi-employer plan within the meaning of Section 3(37) or 4001 (a)(3) of ERISA which is covered by Title IV of ERISA, and the Company does not have any liability (direct or indirect, contingent or otherwise) with respect to any such plan;

(vi) within five calendar years preceding the year in which the Closing Date occurs, with respect to any "DEFINED BENEFIT PLAN", within the meaning of Section 3(35) of ERISA, maintained or contributed to by Seller, the Company or any entity treated as a single employer with Seller or the Company in accordance with Section 414(b) or (c) of the Code: (a) no such plan has been terminated and to Seller's Knowledge, no proceedings or other actions have been instituted by the PBGC to terminate or appoint a trustee to administer any such plan and no written notice has been received by Seller of any intention to commence or seek commencement of any such proceeding or action and there is no material liability for Taxes with respect to a reversion of qualified plan assets under Section 4980 of the Code; (b) no "reportable event" (as defined in Section 4043 of

ERISA for which the thirty-day notice requirement has not been waived by the PBGC) has occurred with respect to any such plan or will occur as a result of the transactions contemplated by this Agreement, (c) no such plan has incurred any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, or obtained a waiver of any minimum funding standard or an extension of any amortization period under Section 412 of the Code or Section 303 or 304 of ERISA; and (d) there is no material liability for Taxes under Section 4971 or 4972 of the Code with respect to any such plan;

(vii) the assets under each Employee Plan which is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA that is subject to the minimum funding standards of Section 412 of the Code or Section 302 of ERISA equal or exceed the present value of all vested and unvested liabilities accrued thereunder, as determined in accordance with the terms of such plan; provided, however, that the calculations (including all variables and assumptions necessary to make such calculations) made under this Section 2.18(c)(vii) shall be determined as of December 31, 2002, on an ABO basis in accordance with the assumptions specified in FASB 87 and used for Seller's disclosure statements filed (or to be filed) with the Securities and Exchange Commission for the year ended December 31, 2002, shall use a discount rate of 7.0% and shall otherwise be mutually agreed to by Seller and Buyer (or their designated representatives);

(viii) no Employee Plan is subject to Title IV of ERISA and there is no liability of the Company for Taxes with respect to disqualified benefits under Section 4976 of the Code;

(ix) none of Seller, the Company nor any of their subsidiaries, nor, to Seller's Knowledge, any other "Disqualified Persons" or "Party in Interest" (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively) has engaged in any transactions (including prohibited transactions as defined in Section 406 of ERISA) in connection with any Employee Plan that could reasonably be expected to result in the imposition of a penalty pursuant to Section 502 of ERISA, liability pursuant to Section 409 of ERISA or a tax pursuant to Section 4975 of the Code; and

(x) (A) there are no actions, suits, or claims (other than routine claims for benefits in the ordinary course and appeals of denied such claims) with respect to any Employee Plan pending which could give rise to a material liability and (B) no Employee Plan is currently under governmental investigation or audit and, to Seller's Knowledge, no such investigation or audit is contemplated or under consideration.

(d) Except as set forth on Schedule 2.18(d), no Business Employees are covered by a collective bargaining agreement. Seller or the Company has delivered to Buyer a complete and correct copy of any collective bargaining agreement applicable to Business Employees. Notwithstanding anything contained in any such collective bargaining agreement to the contrary, and consistent with past practices, the Company may amend or terminate any Employee Plan without negotiating with the applicable union. Except as set forth in Schedule 2.18(d), or except as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect, there is no strike, work slowdown or other material labor dispute with respect to Business

Employees, nor to Seller's Knowledge, is there pending or threatened (i) any strike, work slowdown or other material labor dispute involving Business Employees or (ii) any grievance or arbitration proceeding involving Business Employees, whether arising out of any collective bargaining agreement or otherwise.

SECTION 2.19. INSURANCE.

(a) Schedule 2.19 sets forth a correct summary of each current policy of all material property, material casualty and other material insurance insuring the properties, assets, employees (other than policies related to Employee Plans), directors and officers and/or operations of the Company (collectively, the "POLICIES"). All premiums payable under such Policies have been paid in a timely manner and the Company has complied with the terms and conditions of all such Policies.

(b) All Policies are in full force and effect. Coverage for the Company under the Policies or the May 1, 2003 renewals thereof shall terminate on the Closing Date except to the extent provided in Section 4.11(b). The Company is not in default under any provisions of the Policies, and there is no claim by the Company pending under any of the Policies as to which coverage has been questioned, denied or disputed by the underwriters or issuers of such Policies.

SECTION 2.20. ENVIRONMENTAL; HEALTH AND SAFETY MATTERS.

(a) Except as set forth on Schedule 2.20:

(i) the Company and its operations are in material compliance with all applicable Environmental Laws;

(ii) neither Seller nor the Company has received any written request for information, nor has any of such Persons received written notification that it is a potentially responsible party, under CERCLA or any similar state law with respect to any on-site or off-site location with respect to the activities or operations of the Company;

(iii) there are no writs, injunctions, decrees, orders or judgments outstanding, or any judicial, administrative, or arbitral actions, suits, proceedings (public or private) or investigations pending or, to Seller's Knowledge, threatened involving the Company relating to (A) its compliance with any Environmental Law, or (B) the release, disposal, discharge, spill, treatment, storage, transport, or recycling of Hazardous Materials into the environment at any location which, in the case of clauses (A) and (B) above, individually or in the aggregate, could reasonably be expected to result in the Company incurring any material liability under Environmental Laws;

(iv) the Company has obtained, currently maintains and is in material compliance with all Licenses which are required under Environmental Laws for the operation of its business (collectively, "ENVIRONMENTAL PERMITS"), all such Environmental Permits are in effect and no appeal nor any other action is pending to revoke any such Environmental Permit; and

(v) To Seller's Knowledge, no underground tank (as that term is used in the Resources Conservation and Recovery Act, 42 U.S.C. Section 6991(1)), either presently or previously in service on any of the properties owned or leased by the Company, has ever contained or now contains any Hazardous Materials.

(b) The following terms shall have the following meanings:

"ENVIRONMENTAL LAW" shall mean local, county, state, federal, and/or foreign law (including common law), statute, code, ordinance, rule, regulation or other legal obligation relating to the protection of the environment, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. section 9601 et seq.), as amended, the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.), as amended, the Federal Water Pollution Control Act (33 U.S.C. section 1251 et seq.), as amended, the Clean Air Act (42 U.S.C. section 7401 et seq.), as amended, the Toxic Substances Control Act (15 U.S.C. section 2601 et seq.), as amended, the Hazardous Materials Transportation Act (49 U.S.C., sections 1801, et seq.), as amended, the Oil Pollution Act (33 U.S.C. sections 2701, et seq.), the Safe Drinking Water Act (42 U.S.C. sections 300(f) et seq.), as amended, the Endangered Species Act (16 U.S.C. sections 1531, et seq.), as amended, the National Environmental Policy Act (42 U.S.C. sections 4321 et seq.), as amended, analogous state, tribal or local laws, and any similar, implementing or successor law, and any amendment, rule, regulation, directive or other legal obligation issued thereunder.

"HAZARDOUS MATERIAL" shall mean any substance, material or waste which is regulated by any Environmental Law as hazardous, toxic, a pollutant, contaminant or words of similar meaning including, without limitation, petroleum, petroleum products, asbestos, urea formaldehyde and polychlorinated biphenyls.

(c) Except for the representation and warranty set forth in the second sentence of Section 2.8, the only representations and warranties given in respect of environmental matters and compliance with and liability under Environmental Laws are those contained in this Section 2.20 and none of the other representations and warranties shall be deemed to constitute, directly or indirectly, a representation and warranty in respect of environmental matters or compliance with and liability under Environmental Laws.

SECTION 2.21. REGULATORY MATTERS.

The Company is a "Natural Gas Company" as that term is defined in Section 2 of the Natural Gas Act ("NGA"). The Company is not a "public utility company," "holding company" or "subsidiary" or "affiliate" of a holding company as such terms are defined in the Public Utility Holding Company Act of 1935 (the "1935 ACT"). Except for the matter described in Item E.6. of Schedule 2.15, the Company is in material compliance with (x) all provisions of the NGA and all rules and regulations promulgated by FERC pursuant thereto and (y) all orders issued by FERC that pertain to the business or operations of the Company. No approval of (i) the Securities and Exchange Commission under the 1935 Act or (ii) FERC under the NGA or the Federal Power Act is required in connection with the execution of this Agreement by Seller or the consummation of the transactions contemplated hereby with respect to Seller or the Company. The Form No. 2 Annual Report filed by the Company with FERC for the year ended

December 31, 2001 was, and when filed the Form 2 Annual Report of the Company for the year ended December 31, 2002 will be, true and correct in all material respects as of the date thereof and since December 31, 2002 none of the Company, TGT Sub or the LLC has become subject to any proceeding under Section 5 of the NGA or any general rate case proceeding commenced under Section 4 of the NGA by reason of a filing made with the FERC after December 31, 2002.

SECTION 2.22. CUSTOMERS.

Schedule 2.22 sets forth a complete and accurate list of the twenty-five (25) largest (by dollar volume) customers of the Company during fiscal year 2002. Except as set forth on Schedule 2.22, there are no outstanding and unresolved material disputes with any customer listed thereon.

SECTION 2.23. NO OTHER REPRESENTATIONS.

Except as and to the extent set forth in this Agreement, Seller makes no representations or warranties whatsoever to Buyer and hereby disclaims all liability and responsibility for any representation, warranty, statement, or information made, communicated, or furnished (orally or in writing) to Buyer or its representatives (including any opinion, information, projection, or advice that may have been or may be provided to Buyer by any director, officer, employee, agent, consultant, or representative of Seller or any Affiliate thereof). Seller makes no representations or warranties to Buyer regarding the probable success or profitability of the Company or its business.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF BUYER

As of the date hereof, Buyer hereby represents and warrants to Seller as follows:

SECTION 3.1. CORPORATE ORGANIZATION.

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware and has all requisite power and authority to own its properties and assets and to conduct its business as now conducted. Buyer is duly qualified to do business as a foreign entity in every jurisdiction where the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualifications necessary.

SECTION 3.2. VALIDITY OF AGREEMENT.

Buyer has the power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of Buyer's obligations hereunder have been duly authorized by the Board of Directors of Buyer, and no other proceedings on the part of Buyer are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by Buyer and constitutes the valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

SECTION 3.3. NO CONFLICT OR VIOLATION; NO DEFAULTS.

The execution, delivery and performance by Buyer of this Agreement does not and will not violate or conflict with any provision of its Organizational Documents and does not and will not violate any applicable provision of law, or any order, judgment or decree of any Governmental Authority, nor violate or result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which Buyer is a party or by which it is bound or to which any of its properties or assets is subject, nor result in the creation or imposition of any Encumbrance upon any of its properties or assets where such violations, breaches or defaults in the aggregate would have a material adverse effect on the transactions contemplated hereby or on the assets, properties, business, operations, net income or financial condition of Buyer.

SECTION 3.4. CONSENTS AND APPROVALS.

Except as disclosed on Schedule 3.4, no material consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority or any other person (on the part of Buyer), is required as a condition to the execution and delivery of this Agreement or the performance of its obligations hereunder.

SECTION 3.5. FINANCIAL ABILITY.

At the Closing, Buyer will have sufficient immediately available funds, in cash, to pay the Estimated Purchase Price under Section 1.2 and to pay any other amounts payable under Article I.

SECTION 3.6. BROKERS.

Except as disclosed on Schedule 3.6, Buyer has not employed the services of an investment banker, financial advisor, broker or finder in connection with this Agreement or any of the transactions contemplated hereby.

SECTION 3.7. INDEPENDENT INVESTIGATION.

Buyer has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Company, which investigation, review and analysis was done by Buyer and its Affiliates and, to the extent Buyer deemed necessary or appropriate, by Buyer's representatives. Buyer acknowledges that it and its representatives have been provided adequate access to the personnel, properties, premises and records of the Company for such purpose. In entering into this Agreement, Buyer acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any factual representations of Seller or any of Seller's representatives (except the specific representations and warranties of Seller set forth in this Agreement). Notwithstanding anything herein to the contrary, the foregoing shall not be construed to diminish or adversely affect the rights of Buyer under this Agreement.

SECTION 3.8. INVESTMENT INTENT; INVESTMENT EXPERIENCE; RESTRICTED SECURITIES.

Buyer is acquiring the Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof in violation of federal or state securities laws. In acquiring the Shares, Buyer is not offering or selling, and will not offer or sell, for Seller in connection with any distribution of the Shares, and Buyer does not have a participation and will not participate in any such undertaking or in any underwriting of such an undertaking except in compliance with applicable federal and state securities laws. Buyer acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the Shares, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Shares. Buyer is an "accredited investor" as such term is defined in Regulation D under the Securities Act of 1933, as amended (the "SECURITIES ACT"). Buyer understands that the Shares will not have been registered pursuant to the Securities Act or any applicable state securities laws, that the Shares will be constituted as "restricted securities" under federal securities laws and that under such laws and applicable regulations the Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom.

ARTICLE IV.
COVENANTS

SECTION 4.1. CERTAIN CHANGES AND CONDUCT OF BUSINESS.

(a) From and after the date of this Agreement and until the Closing Date, Seller will cause the Company to (except as required or permitted pursuant to the terms hereof or as set forth on Schedule 4.1) conduct its business solely in the ordinary course consistent with past practices and to use all reasonable commercial efforts to preserve intact its present business organization, keep available the services of its present officers and employees and preserve its relationships and good will with suppliers, customers, creditors, employees, agents and others having business relationships with the Company. From and after the date of this Agreement and until the Closing Date, without the prior written consent of Buyer (which consent will not be unreasonably withheld or delayed), Seller will not, except as required or permitted pursuant to the terms hereof or as set forth on Schedule 4.1, permit the Company to:

(i) make any change in its Organizational Documents or issue any additional equity securities or grant any option, warrant or right to acquire any equity securities or issue any security convertible into or exchangeable for its equity securities;

(ii) (A) incur, assume or guarantee any indebtedness for borrowed money, issue any notes, bonds, debentures or other corporate securities or grant any option, warrant or right to purchase any thereof (including any issuance of additional debt securities pursuant to the Company's shelf registration statement) or (B) issue any securities convertible or exchangeable for debt securities of the Company, TGT Sub or the LLC;

(iii) make any sale, assignment, transfer, abandonment or other conveyance of any assets or properties or any part thereof having an aggregate value in excess of

$250,000.00, except (A) sales of capacity on the pipeline system or in the storage properties of the Company made in the ordinary course of business consistent with past practices or (B) under Section 4.17;

(iv) subject any of its assets, or any part thereof, to any Encumbrance except Permitted Encumbrances;

(v) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of its equity interests or (except as permitted pursuant to Section 1.3(d) and subsection (b) below) declare, set aside or pay any dividends or other distribution in respect of such equity interests in excess of the cash and cash equivalents and advances reflected on the Base Statement;

(vi) (A) except as may be required by applicable law or except to the extent consistent with amendments or modifications made to similar plans or arrangements of Seller or its corporate parent that, in the aggregate, do not result in a material increase in benefits or compensation expenses to the Company, enter into, adopt or make any material amendments to, permit the acceleration of benefits under or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any current or former director, officer or employee of the Company; (B) except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company, increase the benefits or compensation to any current or former director, officer, or employee of the Company; or (C) pay to any current or former director, officer, or employee of the Company any benefit not permitted by any employee benefit agreement, trust, plan, fund, or other arrangement as in effect on the date hereof;

(vii) acquire any assets or properties, except for (A) inventory in the ordinary course of business consistent with past practices, (B) budgeted capital expenditures described on Schedule 4.1(a)(vii), and (C) any acquisitions of assets or properties with a fair market value of up to $250,000.00 in the aggregate;

(viii) except in the ordinary course of business consistent with past practices (including any sweep by Seller of the cash in the accounts of the Company, the LLC, and TGT Sub prior to Closing), pay, loan, distribute or advance any amount to, or sell, transfer or lease any properties or assets to, or enter into any agreement or arrangement with, any of its Affiliates;

(ix) make any loan or investment in any Person;

(x) make any change in any financial accounting principle, method, estimate or practice, except as may be required by law or regulation;

(xi) make, amend or revoke any material election with respect to Taxes of the Company or any of its assets;

(xii) other than routine compliance filings, make any filings or submit any documents or information to FERC or any other Governmental Authority without prior consultation with Buyer;

(xiii) enter into any agreement (or series of related agreements) or amendment, modification, or termination of any contract, lease, or license to which the Company is a party, or by which any of its assets or properties are bound, except an agreement (or series of related agreements taken as one) or an amendment, modification or termination of a contract, lease or license entered into in the ordinary course of business consistent with past practice that would not have been considered to have been a Material Contract had it been entered into prior to the date of this Agreement;

(xiv) cancel, compromise, waive, release or settle any right, claim or lawsuit, other than rights, claims or lawsuits (A) with respect to matters subject to the Seller's indemnity obligation in Section 8.2(a)(iv) or Section 8.2(a)(v) provided that the sole relief provided is monetary damages or (B) in the ordinary course of business to the extent that the amount involved or required to be paid under (I) any such single cancellation, compromise, waiver, release or settlement does not exceed $100,000.00 or (II) all such cancellations, compromises, waivers, releases or settlements do not exceed $250,000.00 in the aggregate;

(xv) terminate, initiate proceedings to terminate or appoint a trustee to administer any plan described in Section 2.18(c)(vi);

(xvi) submit an invoice for payment of, or otherwise collect payment of, any amounts due under the contract described in Item 2 of Schedule 2.16(e); and

(xvii) commit itself to do any of the foregoing.

(b) Prior to Closing, Seller shall cause the Company to distribute or transfer to Seller or its Affiliates all ownership interests in the Retained Entities. From and after the date of this Agreement, until the distribution or transfer of the Company's ownership interests in the Retained Entities to Seller or its Affiliates, Seller will not permit any of the Retained Entities to engage in any activity, conduct any operations or incur any liabilities or obligations of any kind whatsoever.

SECTION 4.2. ACCESS TO PROPERTIES AND RECORDS.

(a) Seller shall afford, and shall cause the Company and Seller's other Affiliates to afford, to Buyer and Buyer's accountants, counsel and representatives upon reasonable advance notice reasonable access during normal business hours throughout the period commencing on the date hereof and ending on the Closing Date (or the earlier termination of this Agreement pursuant to Article VII hereof) to all the Company's properties, books, contracts, and records and, during such period, shall furnish promptly to Buyer all information concerning the Company's business, properties, liabilities and personnel as Buyer may reasonably request. Additionally, Buyer shall hold in confidence all such information on the terms and subject to the conditions contained in the Confidentiality Agreement. Buyer shall have no right of access to, and Seller shall have no obligation to provide to Buyer, (1) bids received from others in

connection with the transactions contemplated by this Agreement and information and analysis (including financial analysis) relating to such bids or (2) any information the disclosure of which Seller has reasonably concluded after consultation with counsel may jeopardize any privilege available to the Company or Seller relating to such information or would cause the Company or Seller to breach a confidentiality obligation or any applicable law. Buyer agrees that if Buyer or its authorized representatives receive, or if the information (whether in electronic mail format, on computer hard drives or otherwise) held by the Company as of the Closing includes information that relates to the business operations or other strategic matters of Seller, its corporate parent or any of their Affiliates (other than the Company) such information shall be held in confidence on the terms and subject to the conditions contained in the Confidentiality Agreement, but the term of the restriction on the disclosure and use of such information shall continue in effect as to such information for a period of two (2) years from the Closing. Buyer further agrees that if Seller or the Company inadvertently furnishes to Buyer copies of or access to information that is subject to clause (2) of the second preceding sentence, Buyer will, upon Seller's request, promptly return same to Seller together with any and all extracts therefrom or notes pertaining thereto (whether in electronic or other format). Buyer shall indemnify, defend, and hold harmless Seller and its Affiliates from and against any Losses asserted against or suffered by Seller Indemnified Parties relating to, resulting from, or arising out of, examinations or inspections made by Buyer or its authorized representatives under this Section 4.2(a).

(b) Upon the reasonable request by Buyer from time to time prior to Closing, Seller shall allow Buyer to have reasonable access to the Company and its management. Such access shall be provided in a mutually agreed upon manner, in accordance with such policies as the parties may mutually agree and in accordance with all guidelines, guidances or legal counsel regarding the appropriate manner in which to conduct such pre-Closing activities. Notwithstanding anything herein to the contrary, Buyer, on the one hand, and Seller and the Company, on the other hand, will continue to operate as independent companies prior to Closing.

(c) Each of the parties agrees that it shall preserve and keep, and make available to the other party for reasonable business needs, all books and records relating to the business or operations of the Company on or before the Closing Date in its possession (including with respect to Seller, to the extent in its possession, the most recent rate case records and files of the Company and all of the records and files of the Company and Seller necessary for the Company to make a future rate case filing with the FERC) for a period of at least 6 years from the Closing Date. After such 6-year period, before a party may dispose of any of such books and records, at least 90 calendar days prior notice to such effect shall be given to the other party, and such other party shall be given an opportunity, at its cost and expense, to remove and retain all or any part of such books and records that the notifying party elects to dispose of. Notwithstanding the foregoing, each party agrees that it shall preserve and keep all books and records of the Company, TGT Sub and the LLC in its possession relating to any audit or investigation instituted by a Governmental Authority or any litigation (whether or not existing on the Closing Date), in each case of which it has actual knowledge, until any such audit, investigation or proceeding has been completed or finally resolved (and became non-appealable), if it is reasonably likely that such audit investigation or litigation may relate to matters occurring prior to the Closing, without regard to the 6-year period set forth in this Section 4.2(c).

SECTION 4.3. EMPLOYEE MATTERS.

(a) Within fifteen (15) days after the execution of this Agreement, representatives of Buyer and Seller shall meet to identify employees of Seller or any of its Affiliates who are not Business Employees and to whom Buyer and Seller agree that Buyer, the Company or any Affiliate of Buyer may make offers of employment (collectively, the "AVAILABLE EMPLOYEES"). Buyer, the Company or any other Affiliate of Buyer may offer employment effective as of the Closing Date to each Available Employee, any such offers of employment made by the Buyer to an Available Employee shall be made in accordance with subsection (n) below. Buyer shall notify Seller of the names of those Available Employees that accepted such employment offers from Buyer, the Company, or any other Affiliate of Buyer (the "ADDITIONAL EMPLOYEES") no later than ten (10) days prior to the Closing Date. Additional Employees and all of the Business Employees shall be referred to as "TRANSFERRED EMPLOYEES." Prior to Closing, Buyer shall not initiate any contact with any of the employees of Seller and its Affiliates except for Business Employees and Available Employees. After the date hereof and prior to Closing, Seller shall afford, and shall cause the Company and its Affiliates to afford, to Buyer or its Affiliates reasonable access to the Available Employees for the purpose of enabling Buyer and its Affiliates to determine to which of such employees it desires to extend offers of employment.

(b) Effective as of the Closing Date, Seller or its Affiliates shall take, or shall cause the Company to take, all necessary action to effect the cessation of, and withdrawal from, participation by the Company in any Employee Plans which are not sponsored or maintained by the Company solely for the benefit of eligible Business Employees (and, if applicable, their eligible dependents and beneficiaries).

(c) On or as soon as practicable after the Closing Date, Seller shall cause to be transferred from The Williams Companies, Inc. Master Trust to a trust established or maintained by the Buyer, the Company or another Affiliate of Buyer an amount of cash equal to the fair market value of the assets attributable to the Texas Gas Retirement Plan as of the Closing Date. If the amount transferred to Buyer is less than $93,778,415, then Seller shall promptly pay to Buyer in cash the amount of such shortfall less Seller's and its Affiliates' transaction costs to convert non-cash assets to cash.

(d) On or as soon as practicable after the Closing Date, provided that Treasury Regulation 1.414(l)-1(h) is satisfied under the de minimis rule, Seller shall cause to be transferred from the trust(s) of any "employee pension benefit plan(s)" within the meaning of Section 3(2) of ERISA, which is qualified under Section 401(a) of the Code, covering any Additional Employees to a trust maintained by Buyer, the Company or another Affiliate of Buyer contemplated in the foregoing paragraph, an amount of cash equal to the greater of (A) the Projected Benefit Obligation ("PBO") reflected in Seller's or its applicable Affiliate's audited financial statements as of December 31, 2002 for such Additional Employees, and (B) the amount required to be transferred, if any, under section 414(l) of the Code as reasonably determined by Seller's or its applicable Affiliate's enrolled actuary and agreed to by Buyer's enrolled actuary. The determination of such PBO shall be in accordance with the actuarial assumptions used to determine Seller's or its applicable Affiliate's December 31, 2002 PBO in total, as such is disclosed in such entity's audited financial statements. If the de minimus rule in Treasury Regulation 1.414(1)-1(h) is not satisfied, then at Buyer's sole election, Seller shall either (i) transfer the maximum amount of cash permitted to be transferred for any affected Additional Employee pursuant to such Treasury Regulation, or (ii) retain the assets and related

benefits accrued through the Closing Date with respect to such Additional Employee. For any transfer(s) made to Buyer in accordance with this subsection (d), from and after the date of such transfer(s), the Texas Gas Retirement Plan shall be responsible for the benefits accrued through the Closing Date with respect to such Additional Employees.

(e) Effective as of the Closing Date, Buyer shall assume, or shall cause the Company or another Affiliate of Buyer to assume, Seller's obligation for providing severance to former employees of the Company and for providing retiree medical and retiree life benefits to Retiree Plan Participants (and their eligible dependents) under the Employee Plans set forth in Schedule 2.18(a), in each case, to the extent accrued on the books of the Company as of December 31, 2002 or reflected as a current liability on the Final Closing Statement. On or as soon as practicable after the Closing Date, Seller shall cause to be transferred from the Transco Energy Company Master Employee Welfare Benefit Trust to a VEBA trust established or maintained by Buyer, the Company or another Affiliate of Buyer an amount of cash equal to the fair market value as of the Closing Date of the assets attributable to providing retiree medical benefits and/or life benefits to Retiree Plan Participants. If the amount transferred to Buyer from such trust is less than $60,788,820, then Seller shall promptly pay to a VEBA trust established or maintained by Buyer in cash the amount of such shortfall less Seller's and its Affiliates' transaction costs to convert non-cash assets to cash.

(f) With respect to Additional Employees, effective as of the date of hire, Buyer shall assume, or shall cause the Company or another Affiliate of Buyer to assume, Seller's or its applicable Affiliate's obligation for providing retiree medical and retiree life benefits to such employees if such employees have met the eligibility requirements for participation in any employee plan sponsored or maintained by Seller or the applicable Affiliate that provides health, life insurance or other welfare benefits to retirees. On or as soon as practicable after the date of hire of those Additional Employees for whom Seller maintains an account in Seller's VEBA trust, Seller shall cause to be transferred from the Seller's VEBA trust to a VEBA trust established or maintained by Buyer, the Company, or another Affiliate of Buyer an amount of cash equal to the Accumulated Post-retirement Benefit Obligations as of December 31, 2002 reflected in Seller's or its applicable Affiliate's audited financial statements as of such date for such Additional Employees.

(g) Effective as of the Closing Date, Buyer shall assume, or shall cause the Company or another Affiliate of Buyer to assume, Seller's obligation for providing long-term disability benefits to the Business Employees as well as to those former employees of the Company, who, immediately prior to the Closing Date, are totally disabled, and therefore receiving benefits under The Williams Companies, Inc. Long-Term Disability Plan to the extent accrued on the books of the Company as of December 31, 2002 or reflected as a current liability on the Final Closing Statement. In addition, effective as of the Closing Date, Buyer shall assume, or cause the Company or another Affiliate of Buyer to assume, Seller's obligation for providing medical, dental, vision and life insurance benefits to such Business Employees and former employees of the Company (including their eligible dependents and beneficiaries) who, immediately prior to the Closing Date, are totally disabled, and therefore receiving benefits under The Williams Companies, Inc. Long-Term Disability Plan to the extent accrued on the books of the Company as of December 31, 2002 or reflected as a current liability on the Final Closing Statement.

(h) Effective as of the Closing Date, Transferred Employees shall become fully vested in their account balances in any defined contribution or 401(k) Plan maintained by Seller on behalf of such Transferred Employees (the "SELLER SAVINGS PLAN") and distributions of such account balances shall be made available to such Transferred Employees as soon as practicable following the Closing Date, in accordance with, the provisions of Seller Savings Plan and applicable law. Thereafter, Buyer shall accept or shall cause the Company or the appropriate Affiliate of Buyer to accept, eligible rollover contributions from Seller Savings Plan into a defined contribution or 401(k) Plan maintained by Buyer, the Company or another Affiliate of Buyer (the "BUYER SAVINGS PLAN") of the account balances distributed to the Transferred Employees from the Seller Savings Plan in accordance with the provisions of the Buyer Savings Plan and applicable law. Such eligible rollovers shall be made in cash.

(i) Seller or the appropriate Affiliate of Seller shall be responsible for any continuation of group health coverage required under Section 4980B of the Code or Sections 601 through 608 of ERISA with respect to any Business Employee or any "QUALIFIED BENEFICIARY" (as defined in Section 4980B of the Code) of any such employee who incurs a "QUALIFYING EVENT" (as defined in Section 4980B of the Code) on or prior to the Closing Date. Buyer, the Company or the appropriate Affiliate of Buyer shall be responsible for any continuation of group health coverage required under Section 4980B of the Code or Sections 601 through 608 of ERISA with respect to any Transferred Employee or any "QUALIFIED BENEFICIARY" (as defined in Section 49808 of the Code) who incurs a "QUALIFYING EVENT" (as defined in Section 4980B of the Code) after the Closing Date.

(j) Buyer shall assume, or shall cause the Company or another Affiliate of Buyer to assume, all paid-time-off obligations of Seller or its Affiliates with respect to each Transferred Employee to the extent reflected as a current liability and included in Working Capital on the Final Closing Statement.

(k) Seller shall retain no liability, obligation or responsibility for, and Buyer shall assume, or shall cause the Company or another Affiliate of Buyer to assume, the full liability, obligation and responsibility to pay, any portion of any bonus or incentive plan benefit for year 2003 with respect to any former employees of the Company or any Business Employee or Additional Employee to the extent reflected as a current liability and included in Working Capital on the Final Closing Statement. Seller shall retain no liability, obligation or responsibility for, and Buyer shall assume, or shall cause the Company or another Affiliate of Buyer to assume, the full liability, obligation and responsibility to pay, any portion of any bonus or incentive plan benefit for the year 2002, accrued but not yet paid, with respect to any former employees of the Company or any Business Employee or Additional Employee to the extent reflected as a current liability and included in Working Capital on the Final Closing Statement.

(l) For a period of one (1) year after the Closing Date:

(i) neither the Buyer nor any of its Affiliates that engage in the business of the transportation of hydrocarbons shall, directly or indirectly, induce any employee of Seller or any of its Affiliates (other than the Transferred Employees) to leave the employ of Seller or any of its Affiliates or employ or otherwise engage or retain (as an independent contractor, consultant or otherwise) any such employee, except that Buyer and its

Affiliates shall not be precluded from hiring any such employee who (y) initiates discussions regarding such employment without any direct or indirect solicitation by Buyer or its Affiliates or (z) responds to any public advertisement placed by Buyer or its Affiliates; and

(ii) neither Seller nor any of its Affiliates shall, directly or indirectly, induce any of the Transferred Employees to leave the employ of Buyer or any of its Affiliates that engages in the business of the transportation of hydrocarbons or employ or otherwise engage or retain (as an independent contractor, consultant or otherwise) any such Transferred Employee, except that Seller and its Affiliates shall not be precluded from hiring any such employee who (y) initiates discussions regarding such employment without any direct or indirect solicitation by Seller or its Affiliates or (z) responds to any public advertisement placed by Seller or its Affiliates.

(m) As of the Closing Date, Buyer agrees to cause the Company's cafeteria plan established pursuant to subsection (o) below (the "BUYER'S 125 PLAN") to accept a spin-off of the flexible spending reimbursement accounts from the Seller's cafeteria plan in which Transferred Employees participated as of the Closing (the "SELLER'S 125 PLAN") and to honor and continue through the end of the calendar year in which the Closing Date occurs the elections made by each Transferred Employee under the Seller's 125 Plan in respect of the flexible spending reimbursement accounts that are in effect immediately prior to the Closing Date. As soon as practicable following the Closing Date, Seller shall cause to be transferred to Buyer an amount in cash equal to the excess of the aggregate accumulated contributions to the flexible spending reimbursement accounts made during the year in which the Closing Date occurs by the Transferred Employees over the aggregate reimbursement payouts made for such year from such accounts to the Transferred Employees. If the aggregate reimbursement payouts made to a Transferred Employee prior to Closing from the flexible reimbursement account of such employee in the Seller's 125 Plan during the year in which the Closing Date occurs exceeds the aggregate accumulated contributions to such account prior to Closing for such year by such employee, Buyer shall cause such excess to be transferred to Seller as soon as practicable, and solely to the extent of, the receipt of contributions from such employee to Buyer's 125 Plan. On and after the Closing Date, Buyer shall assume and be solely responsible for all reimbursable claims by the Transferred Employees under the Seller's 125 Plan, whether incurred prior to, on or after the Closing Date, that have not been paid in full as of the Closing Date.

(n) Except for Business Employees covered under a collective bargaining agreement, until at least December 31, 2003, Buyer shall provide or cause to be provided to all Transferred Employees a salary or wage level at least equal to 90% of the salary or wage level to which they were entitled immediately prior to the Closing Date and bonus opportunity at least equal to 90% of the bonus opportunity to which they were entitled immediately prior to the Closing Date; provided, however, that nothing contained in this Section 4.3(n) shall affect Buyer's right to terminate any Transferred Employee for cause.

(o) Prior to the Closing, Buyer and Seller shall each use its commercially reasonable efforts to take all reasonably necessary actions, in a timely manner, to enable Buyer to establish welfare plans for the Company essentially identical to the Employee Plans listed as items 1-12 on Schedule 2.18(a) with such conforming and other changes to reflect the change in ownership

of the Company as a result of the transactions contemplated hereunder and the transition of benefits to such plans (the "MIRROR PLANS"). Buyer and Seller agree to otherwise cooperate as necessary to effectuate the provisions of this Section 4.3 and to ensure an orderly transition of payroll and benefits coverage with respect to the Transferred Employees from the Employee Plans to the appropriate Mirror Plans, including without limitation, (i) the administrative and processing services to be provided by Seller to Buyer pursuant to the Transition Services Agreement, and (ii) causing the Company to establish one or more bank accounts for the payroll of the Transferred Employees. (p) Prior to the Closing Date, Seller shall provide a list to Buyer of (i) the names of all retirees of the Company currently receiving benefits under any Employee Plan and any Transferred Employees and former employees of the Company who have met the requirements for a vested or deferred vested pension in such plans (collectively, the "RETIREE PLAN PARTICIPANTS"); (ii) any survivors of employees who died in active employment or who are on disability that are entitled to benefits under any Employee Plan; and (iii) target bonus for 2003 for each Transferred Employee.

SECTION 4.4. CONSENTS AND APPROVALS.

Seller and Buyer each shall use all commercially reasonable efforts to obtain, or in the case of Seller, cause the Company to obtain, all necessary consents, waivers, authorizations and approvals of all Governmental Authorities, and of all other Persons required in connection with the execution, delivery and performance by them of this Agreement and will cooperate fully with the other party in promptly seeking to obtain all such authorizations, consents, orders, and approvals, giving such notices, and making such filings. To the extent required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR ACT"), each party shall (i) file or cause to be filed, as promptly as practicable but in no event later than five business days after the execution and delivery of this Agreement, with the Federal Trade Commission and the United States Department of Justice, all reports and other documents required to be filed by such party under the HSR Act concerning the transactions contemplated hereby and (ii) promptly comply with or cause to be complied with any requests by the Federal Trade Commission or the United States Department of Justice for additional information concerning such transactions, in each case so that the waiting period applicable to this Agreement and the transactions contemplated hereby under the HSR Act shall expire as soon as practicable after the execution and delivery of this Agreement. Each party agrees to request, and to cooperate with the other party in requesting, early termination of any applicable waiting period under the HSR Act.

SECTION 4.5. FURTHER ASSURANCES.

Upon the request of Buyer at any time after the Closing Date, Seller will promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as the requesting party or parties or its or their counsel may reasonably request to perfect title of Buyer and its successors and assigns to the Shares or otherwise to effectuate the purposes of this Agreement.

SECTION 4.6. REASONABLE EFFORTS.

Upon the terms and subject to the conditions of this Agreement, each of the parties hereto will use all commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated hereby.

SECTION 4.7. DISCLOSURE SCHEDULE UPDATES

(a) Seller shall have the right, until five (5) business days prior to the Closing, to supplement the Disclosure Schedules with respect to any matter or matters arising before the date hereof which would have been required to be set forth on or described in the Disclosure Schedules as of the execution date hereof that relate to the representations and warranties in Article II (other than the last sentence of Section 2.8) (an "EXECUTION UPDATE"). Any such Execution Update furnished to Buyer will not be deemed to have been disclosed as of the date of this Agreement for purposes of determining whether the conditions to Closing set forth in Article V have been satisfied. If the Closing occurs and the Execution Update includes a matter or matters that (i) were inadvertently omitted by Seller from the applicable Disclosure Schedules on the execution date hereof, then the Deductible shall be reduced, as of the Closing Date, by one-half of the amount of the Loss incurred by Buyer as a result of the breach of the applicable representation or warranty caused by such matter or matters and (ii) were intentionally and willfully omitted by Seller from the Disclosure Schedules on the execution date hereof, then the Deductible shall not apply with respect to Buyer's right to seek indemnity under Article VIII with respect to the Loss incurred by Buyer as a result of the breach of the applicable representation or warranty.

(b) Seller shall have the right, until five (5) business days prior to the Closing, to supplement the Disclosure Schedules relating to the Seller's representations and warranties in Article II and the covenant in Section 4.11 with respect to any matter or matters arising on or after the date hereof which would have been required to be set forth on or described in such Disclosure Schedules to correct any information in any such Disclosure Schedule which has been rendered inaccurate thereby; provided that the addition of such matter or matters added with respect to the covenant in Section 4.11 were permitted actions by Seller or the Company under Section 4.1(a) (a "POST-EXECUTION UPDATE "). Any such Post-Execution Update furnished to Buyer will not be deemed to have been disclosed as of the date of this Agreement for purposes of determining whether the conditions to Closing set forth in Article V have been satisfied but if Closing occurs, such Post-Execution Update shall be deemed to have cured any breach of a representation or warranty relating to the matters set forth in such Post-Execution Update for purposes of indemnification pursuant to Article VIII.

SECTION 4.8. CONFIDENTIAL INFORMATION.

For two (2) years after the Closing, Seller and its Affiliates shall not, directly or indirectly, disclose to any Person any information not in the public domain or generally known in the industry, in any form, whether acquired prior to or after the Closing Date, relating solely to the business and operations of the Company. Notwithstanding the foregoing, Seller may disclose

any information relating to the business and operations of the Company (i) if required by law or applicable stock exchange rule, (ii) to other Persons in the conduct of Seller's or its Affiliates' other businesses which have a valid business purpose for requiring such information, and such other Persons enter into a confidentiality agreement with Seller similar to the confidentiality agreement between Seller and Buyer dated February 3, 2003 (the "CONFIDENTIALITY AGREEMENT"), and provided, further, that Seller shall be responsible for any improper disclosure by any such other Person as if Seller itself had made such improper disclosure, and (iii) to such other Persons if, at the time such information is provided, such Person is already in the possession of such information.

SECTION 4.9. NEGOTIATIONS.

From and after the date hereof, none of Seller, the Company nor its officers, directors, employees, affiliates, stockholders, representatives, agents, nor anyone acting on behalf of them shall, directly or indirectly, encourage, solicit, engage in discussions or negotiations with, or provide any information to, any Person (other than Buyer or its representatives) concerning any merger, sale of assets, purchase or sale of Shares or similar transaction involving the Company unless this Agreement is terminated pursuant to and in accordance with Article VII hereof.

SECTION 4.10. TAX COVENANTS AND INDEMNITY.

(a) Parent shall cause to be included in the consolidated federal income Tax Returns (and the state income Tax Returns of any state that permits consolidated, combined or unitary income Tax Returns, if any) of the Parent Group (as hereinafter defined) for all periods ending on or before the Closing Date, all items of income, gain, loss, deduction or credit of the Company that are required to be included therein, shall cause such Tax Returns to be timely filed with the appropriate Tax authorities, and shall be responsible for the timely payment of all Taxes due with respect to the periods covered by such Tax Returns. On any such Tax Returns for a taxable period ending on the Closing Date, the income of the Company will be apportioned between the period up to and including the Closing Date and the period after the Closing Date by closing the books of the Company as of the end of the Closing Date. For purposes hereof, the "PARENT GROUP" shall mean the affiliated group of corporations of which Parent (or any Affiliate of Parent other than the Company) is the common parent, which join in the filing of a consolidated federal income Tax Return (and any similar group under state law).

(b) Seller shall prepare and file all Tax Returns relating to the Company which are due prior to the Closing Date with the appropriate federal, state, local and foreign Tax authorities, and shall pay, or cause to be paid, the Taxes due thereon. For periods ending on or prior to the Closing Date, but for which Tax Returns are not due prior to the Closing Date, Seller shall, not later than 15 days before the applicable due date, prepare and submit to Buyer for review, signature, and filing all such Tax Returns required to be filed by the Company, and Seller shall timely pay the Taxes due thereon; provided, however, that Buyer shall prepare and file all Tax Returns required to be filed by the Company for taxable periods ending after the Closing Date and shall pay all Taxes due thereon; provided, further, that Seller shall reimburse Buyer for its allocable share of any Taxes attributable to Tax periods including the Closing Date and ending after the Closing Date ("STRADDLE PERIOD") within twenty (20) days of a request by Buyer for such reimbursement. Buyer and Seller shall utilize appropriate methods to allocate liability for

purposes of the preceding sentence, which appropriate methods shall include the following, without limitation: (i) for any transactional Taxes, including, without limitation, Taxes based on sales, revenue, or gross or net income, the allocation of liability between Seller and Buyer shall be determined using a closing-of-the-books method assuming that the applicable Tax period consists of two taxable periods, one ending at the close of the Closing Date and one beginning at the opening of the day after the Closing Date, and (ii) for any real estate Taxes or other property or asset-based Taxes, the allocation of liability between Seller and Buyer shall be based on the number of days the applicable asset was held by the Company in the applicable Tax period prior to and including the Closing Date as compared to the number of days the applicable asset was held by the Company in the applicable Tax period after the Closing Date.

(c) Seller will cause any tax sharing agreement or similar arrangement with respect to Taxes involving the Company to be terminated effective as of the Closing Date, to the extent any such agreement or arrangement relates to the Company, and after the Closing Date the Company shall not be bound by or have any obligation under any such agreement or arrangement for any past, present or future period.

(d) All excise, sales, use, transfer (including real property transfer or gains), stamp, documentary, filing, recordation and other similar Taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, resulting directly from the transactions contemplated by this Agreement (the "TRANSFER TAXES"), shall be borne equally by Buyer and Seller. Notwithstanding anything to the contrary in this Section 4.10, any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the party primarily or customarily responsible under the applicable local law for filing such Tax Returns, and such party will use reasonable commercial efforts to provide such Tax Returns to the other party at least 10 days prior to the due date for such Tax Returns. If such a Tax Return is not timely filed, any interest and penalties incurred as a result shall be the responsibility of the filing party. In the event that any dispute between the parties concerning the form or content of such Tax Returns cannot be timely resolved prior to their due date through good-faith negotiation, the determination of the filing party shall be controlling.

(e) At the request of Buyer, in Buyer's sole discretion, Parent agrees to join Buyer in making a timely, irrevocable and effective election under section 338(h)(10) of the Code (and any comparable elections under state, local or foreign Tax law) (collectively, the "SECTION 338(h)(10) ELECTION") with respect to the acquisition of the Shares by Buyer pursuant to this Agreement. Prior to the due date for filing IRS Form 8023 and any similar forms under applicable state, local or foreign income Tax law (the "FORMS"), Buyer and Parent shall cause the Forms to be duly executed by an authorized Person for Buyer and Parent, respectively. Buyer shall duly and timely file the Forms as prescribed by Treasury Regulation Section 1.338(h)(10)-1 or the corresponding provisions of applicable state, local or foreign income Tax law. Buyer and Parent agree that the Purchase Price and the liabilities of the Company (plus other relevant items) shall be allocated among the assets of the Company for Tax purposes in the manner required under section 338 of the Code and the Treasury Regulations promulgated thereunder. Buyer and Parent shall endeavor in good faith to reach timely agreement on such allocation. Buyer, Seller, Parent and the Company shall duly and timely file the Forms and all Tax Returns (including IRS Form 8883) in a manner consistent with the two preceding

sentences. Buyer and Parent shall cooperate fully with each other in the making of the Section 338(h)(10) Election. Parent shall be responsible for all federal, state, local and foreign income, franchise or similar Taxes resulting from the Section 338(h)(10) Election. In the event a state or local Tax authority does not allow or respect the Section 338(h)(10) Election and treats the federal Section 338(h)(10) Election as an election under Code Section 338(g) for state or local income Tax purposes, Buyer shall be responsible (up to a maximum responsibility of $100,000) for the excess, if any, of (1) the net amount of state and local income, franchise or similar Taxes imposed by such Tax authority on the actual sale of the Shares to Buyer and the deemed sale of assets by the Company over (2) the amount of such Taxes that would have been so imposed if such sale had instead been treated as a sale of the assets of the Company followed by the liquidation of the Company, and Parent shall be responsible for the remainder of such Taxes.

(f) Seller and Buyer shall each promptly provide the other with such assistance as may reasonably be requested by either of them in connection with the preparation of any Tax Return, any audit or other examination by any Tax authority or any judicial or administrative proceeding with respect to Taxes; and each shall retain in accordance with its customary document retention policies (but at least until the expiration of the applicable statute of limitations) and promptly provide the other with any records or other information which may be relevant to any such return, audit examination or proceeding.

(g) Buyer shall, in the event that Buyer or, following the Closing Date, the Company receives notice (whether orally or in writing) of any audit, examination or claim by any taxing authority with respect to Taxes for which Buyer or its Affiliates may be indemnified hereunder (a "TAX CLAIM"), promptly notify Seller thereof, provided, however, that failure to give such notification shall not affect the right of Buyer to indemnification provided hereunder except to the extent that Seller has been actually prejudiced by such failure. Except in the case of Taxes imposed with respect to a Straddle Period, Seller shall have the right to contest, at its own expense, any Tax Claim, and shall be entitled to control any such contest, provided, however, that Seller shall not be entitled to settle or compromise any such contest without the consent of Buyer, which consent shall not be unreasonably withheld or delayed, if such settlement or compromise could affect the tax liability of Buyer or any of its Affiliates for any period after the Closing Date, and provided, further that Buyer may elect to participate, at its sole cost, with counsel of its choice in any such contest. In the case of the contest of a Tax Claim with respect to any Straddle Period, Seller shall have the right to participate at its own expense in any such contest to the extent that the outcome could affect the liability of Seller hereunder, and Buyer shall not settle any such contest in a manner that could affect the liability of Seller without Seller's consent, which consent shall not be unreasonably withheld or delayed. If Seller fails timely to defend, contest or otherwise protect against any Tax Claim that it is entitled to control pursuant to this Section 4.10(g), Buyer shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and Buyer shall be entitled to recover the entire cost thereof from Seller, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as a result of such Tax Claim.

(h) Seller shall indemnify, defend and hold harmless Buyer, the Company and any members of any group filing consolidated, combined or unitary, federal, state or local income Tax Returns with Buyer or the Company (collectively, the "BUYER TAX INDEMNITEES") from and against all Losses (as defined in Section 8.2(a)) attributable to (i) Taxes of the Company for any

Tax period ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date (determined in accordance with Section 4.10(b)), (ii) Taxes attributable to the ownership interests of the Company in, or the activities of, any of the Retained Entities, and through the Closing Date, Alaskan Northwest Natural Gas Transportation Company (iii) Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company (or any predecessor) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar state, local or foreign law or regulation, (iv) Taxes of any other Person imposed on the Company as a transferee or successor, by contract or otherwise, which Taxes relate to an event or transaction occurring on or before the Closing Date, (v) except as provided in the last sentence of Section 4.10(e), any Taxes attributable to the Section 338(h)(10) Election, or (vi) any breach of any representation or warranty made in Section 2.9 or any covenants or agreements made by Seller or Parent in this Section 4.10. Seller shall reimburse the appropriate Buyer Tax Indemnitee for any Losses which are the responsibility of Seller under this Section 4.10(h) within twenty (20) days after the payment of the underlying Taxes by the Buyer Tax Indemnitee.

(i) Buyer shall indemnify, defend and hold harmless Seller, Parent and any members of any group filing consolidated, combined or unitary, federal, state or local income Tax Returns with Seller or Parent (collectively, the "SELLER TAX INDEMNITEES") from and against all Losses (as defined in Section 8.2(a)) attributable to any breach of any covenants or agreements made by Buyer in this Section 4.10. Buyer shall reimburse the appropriate Seller Tax Indemnitee for any Losses which are the responsibility of Buyer under this Section 4.10(i) within twenty (20) days after the payment of the underlying Taxes by the Seller Tax Indemnitee.

(j) Article VIII, other than Section 8.2(a)(i) (with respect to the representations and warranties in Section 2.18), Section 8.2(a)(ii) (with respect to employee benefit matters), Section 8.2(a)(iii), Section 8.8 and the limitations in Section 8.1, shall not be applicable to Losses attributable to Taxes and the rights and liabilities of the parties for indemnification of Losses attributable to Taxes shall be governed solely by this Section 4.10.

SECTION 4.11. INSURANCE, BONDS AND COLLATERAL.

(a) Prior to the Closing, Buyer shall use its commercially reasonable efforts to take such actions as may be necessary or appropriate so that all surety bonds, letters of credit, and cash collateral issued in respect of the Company listed on Schedule 4.11 (collectively, the "SELLER'S BONDS") will be released and replaced immediately after the Closing, and Buyer shall take such actions as are necessary to replace and release all the Seller's Bonds not later than 30 days after the Closing Date by comparable surety bonds, letters of credit and cash collateral provided by Buyer or an Affiliate of Buyer ("BUYER'S BONDS"). Buyer shall reimburse Seller and its Affiliates for any and all Losses (in each case without deduction or set off) incurred on account of claims and payments made under or for the Seller's Bonds on or after the Closing Date upon the receipt by Buyer of a written request accompanied by reasonable documentation of the Losses for which reimbursement is requested.

(b) From and after the Closing Date, except as provided in this Section 4.11(b), coverage for the Company under the Policies will terminate, and no new claims by or on behalf of the Company will accrue under the Policies. Seller shall purchase and pay in full any premium for a

discovery period under the Specified Policies (as such term is defined in Section 9.16). This discovery period shall be effective as of the Closing Date and shall terminate on May 1, 2006 at 12:01 a.m. Central time. Such discovery period shall permit the Company to make claims under such excess liability policies through April 30, 2006 to the extent such claims relate to occurrences prior to the Closing Date and shall provide coverage to the full extent of the policies in respect of such extended discovery period. Seller will cause the Company to be named as an insured or additional insured under such policies to the extent of such discovery period. After the Closing Date, Seller or Parent shall continue to manage all workers' compensation and general liability and automobile liability claims of the Company, which are known and reported on or prior to the Closing Date, or which are covered under any insurance policy shown on Schedule 2.19. Seller shall be responsible for workmen's compensation claims by employees of the Company based upon pre-Closing occurrences, including related deductibles and administrative costs. Buyer shall be responsible for the deductible (to the extent not previously satisfied) in respect of claims (other than workmen's compensation claims) made against or by or on behalf of the Company prior to the Closing under the automobile general liability and excess liability policies of Parent maintained for the Williams Companies' group, but Seller shall be responsible for the other costs on account of such claims, including, without limitation, third party administration charges. Buyer shall be responsible for all costs on account of claims (other than workmen's compensation claims) made by or on behalf of the Company based on a pre-Closing occurrence when the claim is made after the Closing for all costs in excess of insurance on account of such claims, including, without limitation, deductibles and third party administration charges.

SECTION 4.12. INFORMATION TECHNOLOGY.

(a) Upon the execution of this Agreement, the parties shall each designate representatives to a migration team ("IT MIGRATION TEAM") that shall be responsible for identifying all data, the specific software and hardware and related documentation and development materials, and agreements for the use, maintenance, training, support or service thereof necessary for Buyer to continue operations of the Company including, without limitation, all financial, accounting, operations, maintenance, billing, human resources and other aspects of the operations of the Company in the ordinary course at a level of quality and efficiency at least equal to the level experienced by the Company for the period commencing January 1, 2002 through the Closing Date (the "IT STANDARD"), including any Software listed on Schedule 2.12(a) that the IT Migration Team determines should be transferred to the Company in order to meet the IT Standard ("IT ASSETS"). The IT Migration Team shall also be responsible for developing a detailed plan to include cost estimates and timetables for: (i) successful conversion and loading of existing Company data, (ii) integration of the IT Assets into Buyer's or its Affiliate's information technology systems, (iii) transfer or replacement of IT Asset licenses and maintenance agreements not currently held in Company's name and (iv) any post-closing transitional services reasonably required by Buyer or the Company to meet the IT Standard ("IT MIGRATION PLAN"). The Migration Team shall complete the preparation of the IT Migration Plan no later than 30 days after execution of this Agreement. If the members of the IT Migration Team are unable to agree on aspects of the IT Migration Plan within such 30-day period, Buyer and Seller may request, at the option of either party and by notice to the other party, that their differences be resolved by a nationally recognized information technology consulting firm selected jointly by Buyer and Seller. If Buyer and Seller are unable to so select the nationally

recognized information technology consulting firm within five days of any such notice, either Buyer or Seller may thereafter request that the CPR Institute for Dispute Resolution make such selection (as applicable, the firm selected by Buyer and Seller or the firm selected by the CPR Institute for Dispute Resolution is referred to as the "IT FIRM"). The parties shall direct the IT Firm to use its reasonable best efforts to render its resolution within 30 days after any disagreement is submitted by the parties. The fees and expenses of the IT Firm shall be shared equally by Buyer and Seller. Upon completion of the IT Migration Plan, the IT Migration Team promptly shall begin the pre-Closing implementation of the IT Migration Plan in order for the parties to complete the post-Closing transfer, conversion and loading of the Company data from Seller to Buyer or Buyer's designated Affiliates, all in accordance with the IT Migration Plan. The time for completion and execution of the IT Migration Plan shall be referred to as the "IT MIGRATION PERIOD." The respective rights, benefits and obligations of the parties, their Affiliates and the Company shall be addressed in the IT Migration Plan, including the provision of various services and products by Seller and its Affiliates to Buyer. The obligations of Seller, Buyer and the Company for the respective post-Closing transition period specified for such services or products in the IT Migration Plan, will be set forth in an agreement to be substantially in the form of the Transition Services Agreement attached as Exhibit 4.12 to be executed and delivered by Seller, Buyer and the Company at Closing (the "TRANSITION SERVICES AGREEMENT").

(b) On or before the expiration of the IT Migration Period and in accordance with the IT Migration Plan, Seller shall, and shall cause its Affiliates to either: (i) assign to Buyer or the Company all of their respective right, title and interest in the IT Assets, including license and contract rights and secure any consents necessary for such assignment; (ii) with respect to license and software rights that, in accordance with the IT Migration Plan, are to be retained by Seller and its Affiliates during the IT Migration Periods, secure any consents necessary for the use by Seller and its Affiliates of the IT Assets on behalf of the Company or Buyer during the IT Migration Period; or (iii) if requested by Buyer, obtain for the Buyer or its designated Affiliate, on commercially reasonable terms and at Buyer's expense, comparable replacements for any IT Assets not assigned pursuant to (i) above. Fees for license transfers or comparable replacements shall be borne by Buyer. Costs related to Seller's employees and contractors involved in the preparation and implementation of the IT Migration Plan shall be borne by Seller, and costs and expenses related to Buyer's employees and contractors involved in the preparation and implementation of the IT Migration Plan shall be borne by Buyer.

SECTION 4.13. SOFTWARE LICENSE.

Effective upon the Closing Date, Seller, for itself and on behalf of its Affiliates, hereby grants to the Company, Buyer and its Affiliates, an irrevocable, nonexclusive, royalty-free, perpetual license, without right to sublicense (other than to its Affiliates), to use, copy, modify, enhance, and upgrade, and to have modified, used, enhanced and upgraded, solely for their internal business purposes and not as a service bureau, all computer software owned by Seller and/or its Affiliates which is used in connection with the business of the Company as conducted as of the Closing Date ("LICENSED SOFTWARE"). Any copies of the Licensed Software and any documentation related thereto must contain all copyright and other intellectual property rights notices included thereon. Except to the extent expressly provided in the Transition Services Agreement, the Company and Buyer shall not be entitled to receive, and Seller and its Affiliates shall have no obligation to provide, any modifications, enhancements, or upgrades made to the

Licensed Software by Seller subsequent to the Closing Date. Ownership of all Intellectual Property rights in the Licensed Software remains with Seller and its Affiliates. Buyer shall not, and shall not permit any of its Affiliates to, take any action inconsistent with Seller's and its Affiliates' rights in the Licensed Software. All rights not expressly granted herein to the Company and Buyer are retained by Seller and its Affiliates. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, THE LICENSED SOFTWARE AND ANY RELATED DOCUMENTATION ARE PROVIDED ON AN "AS IS" BASIS. SELLER AND ITS AFFILIATES HEREBY EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. SELLER AND ITS AFFILIATES DO NOT WARRANT THAT THE LICENSED SOFTWARE OR DOCUMENTATION ARE ERROR-FREE OR THAT COMPANY'S OR BUYER'S USE THEREOF WILL BE UNINTERRUPTED. ALL RIGHTS NOT EXPRESSLY GRANTED TO BUYER AND ITS AFFILIATES ARE RETAINED BY SELLER AND ITS AFFILIATES.

SECTION 4.14. NON-SOFTWARE COPYRIGHT LICENSE.

Effective upon the Closing Date, Seller, for itself and on behalf of its Affiliates, hereby grants to the Company, Buyer and its Affiliates, a nonexclusive royalty-free, perpetual license, without right to sublicense, to use, copy, modify, enhance, and upgrade, solely for their internal business purposes and not as a service bureau, all manuals, user guides, standards and operation procedures and similar documents owned by Seller and/or its Affiliates and used by the Company. All copies of the foregoing must reproduce and include all copyright and other Intellectual Property rights notices provided by Seller. All rights not expressly granted to Buyer and its Affiliates are retained by Seller and its Affiliates.

SECTION 4.15. TRANSITIONAL TRADEMARK LICENSE.

Effective upon the Closing Date, Seller and Seller's Affiliates, hereby grant to the Company and Buyer a nonexclusive, nontransferable, royalty-free license, without right to sublicense, to use, solely in the Company's business as it is then conducted, any and all of Seller's Marks solely to the extent appearing on existing inventory, advertising materials and property of the Company (such as signage, vehicles, and equipment) for a period of six (6) months from the Closing Date ("LICENSE PERIOD"). Buyer and the Company may use such existing inventory, advertising materials and property during the License Period, but shall not create new inventory, advertising materials or property using Seller's Marks. Buyer and the Company shall promptly replace or remove Seller's Marks on inventory, advertising materials and Property, provided that all such use shall cease no later than the end of the License Period. The nature and quality of all uses of Seller's Marks by Buyer and the Company shall conform to Seller's existing quality standards in existence as of the date hereof (a copy of which has been furnished to Buyer). Immediately upon expiration of the License Period, the Buyer and the Company shall cease all further use of Seller's Marks and shall adopt new trademarks, service marks, and trade names which are not confusingly similar to Seller's Marks. All rights not expressly granted in this section with respect to Seller's Marks are hereby reserved. If Buyer or the Company breaches the provisions of this section, Seller may immediately terminate the License Period upon 15 days advance written notice. Seller shall not use, from and after the Closing Date, any trademarks, service marks or trademarks owned by the Company.

SECTION 4.16. REPORTING COOPERATION.

Seller will cooperate with the independent auditors chosen by Buyer and its Affiliates, in connection with their audit of any annual consolidated financial statements of the Company that Buyer or any of its Affiliates requires to comply with Regulations S-X and S-K, and their review of any interim quarterly consolidated financial statements of the Company that Buyer or any of its Affiliates requires to comply with the reporting requirements of the SEC set forth in Regulations S-K and S-X, but in no event shall Seller be required pursuant to this Section 4.16 to cooperate with respect to more than five (5) years of such annual consolidated financial statements of the Company. Seller's cooperation will include (i) such access to Seller's employees who were responsible for preparing the consolidated financial statements and to workpapers and other supporting documents used in the preparation of the consolidated financial statements as may be required by such auditors to perform an audit in accordance with generally accepted auditing standards, (ii) delivery of one or more customary representation letters from Seller to such auditors that are requested by Buyer or any of its Affiliates to allow such auditors to complete an audit (or review of any interim quarterly financials), and to issue an opinion that in such Buyer Affiliate's experience is acceptable to the SEC with respect to an audit or review of those consolidated financial statements required pursuant to Section 4.16, (iii) cooperation with Buyer and its Affiliates to obtain any necessary consents from Ernst & Young, LLC to the use of the consolidated financial statements in any filings Buyer or any of its Affiliates pursuant to the Securities Act of 1933, as amended ("SECURITIES ACT") or the Securities and Exchange Act of 1934 and to cooperate in seeking to obtain any related comfort letters from Ernst & Young, LLC, and (iv) using commercially reasonable efforts to have Ernst & Young, LLC provide such other assistance as Buyer may reasonably request with respect to the foregoing. Buyer will reimburse Ernst & Young, LLC or Seller for any reasonable overhead costs with respect to the providing any comfort letters or consents or other assistance as provided above. Buyer or its appropriate Affiliate will be responsible for any fees due to its independent auditors for preparing the consolidated financial statements.

SECTION 4.17. TERMINATION OF CERTAIN RELATED PARTY CONTRACTS.

Effective as of the Closing Date, except as otherwise provided in Schedule 4.17, Seller shall have terminated, or caused the Company and Seller's other Affiliates to terminate the Affiliate Contracts and any commitments of the Company with respect to the 1Line customer service application being developed by Seller and its Affiliate. Seller shall be solely liable for any contractual or other claims, express or implied, arising out of the termination, cancellation and elimination of any of the foregoing and performance by the Company thereunder prior to Closing. Prior to Closing, Seller shall take such actions that are necessary to have the relevant parties amend the credit agreement described in Item 1 of Schedule 2.16(c) (the "PARENT CREDIT AGREEMENT") to remove the Company at or prior to the Closing as a borrower or guarantor, as applicable, under such credit agreement, to release the Company from any and all obligations under such credit agreement, and to obtain the release of any Encumbrances against the Shares or any assets and properties of the Company pledged in connection therewith.

SECTION 4.18. OTHER MATTERS.

(a) On or prior to Closing, Seller and the Company shall execute and deliver the Assumption and Agreement in the form of Exhibit 4.18.

(b) On or prior to Closing, Seller shall cause the List C Contracts (as such term is defined in Section 9.16) to be assigned to, and assumed by, Seller or one of its Affiliates (other than the Company), such assignment and assumption to be effected pursuant to an assignment and assumption agreement which provides for indemnification by Seller of the Company against Losses (as defined in Section 8.2(a)) with respect to the List C Contracts and is otherwise in a form reasonably acceptable to Buyer.

(c) Prior to the Closing, the Seller shall take such actions as may be necessary or appropriate to cause the liens and security interests evidenced by those certain filings on Standard Forms-UCC 1 (including any continuations thereof) filed in Daviess County, Kentucky by Citicorp North America, Inc., as Agent, as Secured Party in respect of the Company, or Debtor, and relating to the Trade Receivable Purchase and Sale Agreements identified therein, to be released, and evidence of such release shall be furnished to Buyer (which evidence shall be reasonably acceptable to Buyer).

SECTION 4.19. GUARANTIES.

Loews Corporation will execute, upon execution of this Agreement, a guaranty substantially in the form of Exhibit 4.19(a), and Parent will execute, upon execution of this Agreement, a guaranty substantially in the form of Exhibit 4.19(b).

SECTION 4.20. COMPANY OFFICERS AND DIRECTORS.

(a) Prior to Closing, Seller shall furnish to Buyer a list of the Persons then serving as an officer or director of the Company.

(b) Seller shall use its reasonable efforts to cause the resignations delivered under Section 5.1(h) for the officers, directors or managers of the Company who are not Transferred Employees to include releases of the Company in a form reasonably satisfactory to Buyer. If Seller is not able to obtain such a release from any such Person prior to the Closing, Seller shall agree to indemnify the Company and Buyer from any claims by such Person against the Company arising from such Person acting as an officer, director, or manager of the Company, in a form reasonably acceptable to Buyer.

SECTION 4.21. WORK PROTOCOL.

Upon the receipt by Seller of a written notice timely given under Schedule 4.21, the parties shall follow and comply with the protocols and procedures set forth in Schedule 4.21.

ARTICLE V.
CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing Date, of the following conditions, any one or more of which may be waived by Buyer in its sole discretion:

SECTION 5.1. RECEIPT OF DOCUMENTS.

Seller shall have delivered, or be standing ready to deliver, to Buyer:

(a) a duly executed Stock Transfer dated the Closing Date.

(b) any documents Buyer may reasonably require relating to the existence of Seller, the Company and the authority of Seller and the Company and its shareholders for this Agreement and the Transaction Documents, all in form and substance reasonably satisfactory to Buyer;

(c) the books of account, minute books, stock ledgers and Organizational Documents of the Company and copies of the employee records of the Additional Employees who have accepted offers of employment from Buyer (other than copies of medical records and other records that require the consent of the employee to be disclosed to Buyer relating to such Additional Employees);

(d) evidence, reasonably satisfactory to Buyer, of the dividend or transfer to Seller or its Affiliates effective prior to Closing of all ownership interests in the Retained Entities;

(e) evidence, reasonably satisfactory to Buyer, of the termination of the agreements described in Section 4.17, the amendment of the Parent Credit Agreement and the releases described in Section 4.17;

(f) an opinion of Seller's counsel in a form reasonably satisfactory to Buyer;

(g) a properly executed statement, dated as of the Closing Date, in form and substance reasonably acceptable to Buyer conforming to the requirements of Treasury Regulation Section 1.1445-2(b)(2), and any other certificate or similar documents reasonably requested by Buyer that may be required by any relevant Tax authority in order to relieve Buyer of any obligation to withhold any portion of the Purchase Price;

(h) if requested by Buyer, duly executed letters of resignation from any or all of the officers, directors and managers of the Company, in a form reasonably acceptable to Buyer; and

(i) certificates of insurance naming Buyer and the Company as an insured or additional insured under the extended discovery period coverage described in Section 4.11(b).

SECTION 5.2. REPRESENTATIONS AND WARRANTIES OF SELLER.

All representations and warranties made by Seller in this Agreement (i) that are qualified as to materiality or Material Adverse Effect or similar exception or qualifier shall be true and

correct in all respects, (ii) in Section 2.9(b)(xvii) shall be true and correct in all respects and (iii) except for the representation and warranty referred to in clause (ii), that are not qualified as to materiality or Material Adverse Effect or similar exception or qualifier shall be true and correct in all material respects, in each case, on and as of the Closing Date as if again made by Seller on and as of such date, and Buyer shall have received a certificate dated the Closing Date and signed by a senior executive officer of Seller to that effect.

SECTION 5.3. PERFORMANCE OF SELLER'S OBLIGATIONS.

Seller shall have performed all obligations required under this Agreement to be performed by it on or before the Closing Date in all material respects, and Buyer shall have received a certificate dated the Closing Date and signed by a senior executive officer of Seller to that effect.

SECTION 5.4. CONSENTS AND APPROVALS.

The consents, waivers, authorizations and approvals set forth on Schedule 2.6 or that are required under the documents listed in Schedule 2.6 shall have been duly obtained and shall be in full force and effect on the Closing Date. All applicable waiting periods under the HSR Act shall have expired or been terminated.

SECTION 5.5. NO VIOLATION OF ORDERS.

No preliminary or permanent injunction or other order issued by any Governmental Authority, which declares this Agreement or any of the Transaction Documents invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby shall be in effect; and no action or proceeding before any Governmental Authority shall have been instituted by a Governmental Authority or other person or threatened by any Government Authority which seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or any of the Transaction Documents or which challenges the validity or enforceability of this Agreement.

SECTION 5.6. TRANSITION SERVICES AGREEMENT.

The parties shall have executed and delivered prior to or at Closing the Transition Services Agreement.

ARTICLE VI.
CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing Date, of the following conditions, any one or more of which may be waived by Seller in its sole discretion:

SECTION 6.1. REPRESENTATIONS AND WARRANTIES OF BUYER.

All representations and warranties made by Buyer in this Agreement (i) that are qualified as to materiality or Material Adverse Effect or similar exception or qualifier shall be true and

correct in all respects and (ii) that are not qualified as to materiality or material adverse effect or similar exception or qualifier shall be true and correct in all material respects, in each case, on and as of the Closing Date as if again made by Buyer on and as of such date, and Seller shall have received a certificate dated the Closing Date and signed by a senior executive officer of Buyer to that effect.

SECTION 6.2. PERFORMANCE OF BUYER'S OBLIGATIONS.

Buyer shall have performed all obligations required under this Agreement to be performed by it on or before the Closing Date except for such non-performance as would not, individually or in the aggregate, have a material adverse effect on Buyer's ability to perform its obligations under this Agreement, and Seller shall have received a certificate dated the Closing Date and signed by a senior executive officer of Buyer to that effect.

SECTION 6.3. CONSENTS AND APPROVALS.

All consents, waivers, authorizations and approvals set forth on Schedule 3.4 or that are required under the documents listed in Schedule 3.4 shall have been duly obtained and shall be in full force and effect on the Closing Date. All applicable waiting periods under the HSR Act shall have expired or been terminated.

SECTION 6.4. NO VIOLATION OF ORDERS.

No preliminary or permanent injunction or other order issued by any Governmental Authority, that declares this Agreement invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby shall be in effect; and no action or proceeding before any Governmental Authority, shall have been instituted by a Governmental Authority or other person or threatened by any Governmental Authority which seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or which challenges the validity or enforceability of this Agreement.

SECTION 6.5. PURCHASE PRICE.

Buyer shall have paid and delivered to Seller, or be standing ready to pay and deliver to Seller, the Estimated Purchase Price.

SECTION 6.6. OPINION OF BUYER'S COUNSEL.

Buyer shall have delivered, or be standing ready to deliver, to Seller an opinion of Buyer's counsel in a form reasonably satisfactory to Seller.

ARTICLE VII.
TERMINATION AND ABANDONMENT

SECTION 7.1. METHODS OF TERMINATION; UPSET DATE.

This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time before the Closing:

(a) by the mutual written consent of Seller and Buyer;

(b) by Seller, if Buyer fails to comply with any of its covenants or agreements contained herein, or breaches its representations and warranties contained herein, which failure to comply or breach is not cured within 30 days after receipt by Buyer from Seller of written notice specifying particularly such failure to comply or breach, and such failure to comply or breach would result in a failure to satisfy the conditions to Closing set forth in Sections 6.1 and/or 6.2;

(c) by Buyer, if Seller fails to comply with any of its covenants or agreements contained herein, or breaches its representations and warranties contained herein, which failure to comply or breach is not cured within 30 days after receipt by Seller from Buyer of written notice specifying particularly such failure to comply or breach, and such failure to comply or breach would result in the failure to satisfy the conditions to Closing set forth in Sections 5.2 and/or 5.3;

(d) by Seller or Buyer, if a Governmental Authority shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties hereto shall use their reasonable best efforts to lift), which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and which order, decree, ruling or other action is not subject to appeal; or

(e) by Seller or Buyer at any time after June 30, 2003, provided that the terminating party is not in default of its obligations hereunder in any material respect.

SECTION 7.2. PROCEDURE UPON TERMINATION.

In the event of termination and abandonment of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith be given to the other party hereto and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by Seller or Buyer. If this Agreement is terminated as provided herein, no party to this Agreement shall have any liability or further obligation to any other party to this Agreement except as provided in Sections 8.4, 8.6, 9.3, 9.4, 9.11 and 9.12 hereof; provided, however, that no termination of this Agreement pursuant to this Article VII shall relieve any party of liability for a willful and material breach of any representation or warranty contained in this Agreement or for any material breach of a covenant or agreement contained in this Agreement, in each case occurring before such termination.

ARTICLE VIII.
SURVIVAL; INDEMNIFICATION

SECTION 8.1. SURVIVAL.

The representations and warranties of Seller contained herein or in any certificates or other documents delivered pursuant to this Agreement on the Closing and Seller's covenants in Section 4.1 hereof shall survive the Closing until the first anniversary of the Closing Date, provided, however, that the representations and warranties set forth in Section 2.2 (Capitalization; Title), Section 2.4 (Validity of Agreement; Authorization), and Section 2.17 (Brokers) shall survive indefinitely and the representations and warranties set forth in Section 2.9 (Tax Matters) and the covenants set forth in Section 4.10 (Tax Covenants) shall survive for a period equal to thirty (30) days after the applicable statute of limitations (as the same may be extended) for each Tax and taxable year. The other agreements, covenants and terms of this Agreement and the agreements delivered in connection herewith shall survive the Closing.

SECTION 8.2. INDEMNIFICATION COVERAGE.

(a) From and after the Closing, Seller shall indemnify and defend, save and hold Buyer, the Company and their Affiliates and each of their officers, directors, employees and agents (collectively, the "BUYER INDEMNIFIED PARTIES") harmless if any such Buyer Indemnified Party shall suffer any damage, judgment, fine, penalty, demand, settlement, liability, loss, cost, Tax, expense (including reasonable attorneys', consultants' and experts' fees), claim or cause of action (each, a "LOSS") arising out of, relating to or resulting from:

(i) any breach or inaccuracy in any representation by Seller or the breach of any warranty by Seller contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing;

(ii) any failure by Seller to perform or observe any term, provision, covenant, or agreement on the part of Seller to be performed or observed under this Agreement;

(iii) any Loss for which the Company has joint and several liability with Parent or any Affiliate of Parent under Title IV of ERISA or the Code or to the PBGC with respect to termination of any employee pension benefit plan that is or was maintained or sponsored by Seller or any of its Affiliates (other than the Company)), and is subject to Title IV of ERISA but excluding any such liability covered under Section 4.10 hereof;

(iv) any claim arising out of a Person's exposure to asbestos containing material that originated from or that was used in any buildings or other facilities owned or leased by the Company on or prior to the Closing Date but only to the extent such exposure occurred on or prior to the Closing Date;

(v) actions, investigations, suits or proceedings set forth on Schedule 8.2(v);

(vi) matters or claims arising out of the operations of or the participation by the Company in the Retained Entities or the Company's ownership interest therein;

(vii) claims made under the contracts described in Schedule 8.2(vii); and

(viii) the enforcement of the provisions of this Section 8.2(a).

For purposes of determining the amount of any Loss incurred under subsection (i) above (but not for purposes of determining whether or not a breach has occurred), each representation and warranty shall be read without giving effect to any materiality or Material Adverse Effect or similar exception or qualifier set forth therein.

(b) From and after the Closing, Buyer and the Company shall indemnify and defend, save and hold Seller and its Affiliates and its and their officers, directors, employees and agents (collectively, the "SELLER INDEMNIFIED PARTIES") harmless if Seller Indemnified Parties shall suffer any Loss arising out of, relating to, or resulting from:

(i) any breach or inaccuracy in any representation by Buyer or the breach of any warranty by Buyer contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing;

(ii) any failure by Buyer to perform or observe any term, provision, covenant, indemnity, or agreement on the part of Buyer to be performed or observed under this Agreement; and

(iii) the enforcement of the provisions of this Section 8.2(b).

For purposes of determining the amount of any Loss incurred under subsection (i) above (but not for purposes of determining whether or not a breach has occurred), each representation and warranty shall be read without giving effect to any materiality or Material Adverse Effect or similar exception or qualifier set forth therein.

(c) The foregoing indemnification obligations shall be subject to the following limitations:

(i) Seller's aggregate liability under Section 8.2(a)(i) shall not exceed $78,000,000.00;

(ii) no indemnification for any Losses asserted against Seller under Section 8.2(a)(i) shall be required unless and until the cumulative aggregate amount of such Losses against Seller exceeds $7,500,000.00 (the "DEDUCTIBLE"), at which point Seller shall be obligated to indemnify the Buyer Indemnified Parties (as hereinafter defined) only as to the amount of such Losses in excess of the Deductible, subject to the limitation in Section 8.2(c)(i) and as the Deductible may be reduced under Section 4.7;

(iii) the amount of any Losses suffered by a Seller Indemnified Party or a Buyer Indemnified Party, as the case may be (such party seeking indemnification, the "INDEMNIFIED PARTY," and the other party, the "INDEMNIFYING PARTY"), shall be reduced by any third-party insurance or other indemnification benefits which such party receives in respect of or as a result of such Losses. If any Losses for which indemnification is provided hereunder are subsequently reduced by any third-party insurance or other indemnification benefit or recovery, the amount of the reduction shall be remitted to the Indemnifying Party;

(iv) any calculation of Losses for purposes of Article VIII hereof shall take into account any U.S. federal, state or local tax consequences to Seller Indemnified Party or Buyer Indemnified Party seeking indemnification pursuant to this Article VIII hereof, as the case may be;

(v) no claim may be asserted nor may any action be commenced against Seller for breach or inaccuracy of any representation or breach of a warranty or covenant, unless written notice of such claim or action is received by Seller describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action on or prior to the date on which the representation or warranty or covenant on which such claim or action is based ceases to survive as set forth in Section 8.1;

(vi) an Indemnified Party shall not be entitled under this Agreement to multiple recovery for the same Losses;

(vii) the limitations on indemnification set forth in clauses (i) and (ii) of this Section 8.2(c) shall not apply to any Losses arising from any inaccuracy or breach of Sections 2.2 or 2.17; and

(viii) any indemnification for Losses asserted by Buyer under Section 8.2(a)(iv) that relate to a Person's exposure both before and after the Closing Date shall be reduced to the extent such Losses resulted from Buyer's, the Company's or any of its or their representatives' or contractors' failure to comply with applicable Environmental Laws when abating, managing, treating, or otherwise handling asbestos after the Closing Date in any of the buildings or facilities that are subject to the indemnity in Section 8.2(a)(iv).

SECTION 8.3. PROCEDURES.

(a) Any Indemnified Party shall notify the Indemnifying Party (with reasonable specificity) promptly after it becomes aware of facts supporting the commencement of or the assertion of any claim or action, suit or proceeding by a third party in respect of which indemnification under this Article VIII may be sought (each, a "THIRD PARTY CLAIM"), and shall provide to the Indemnifying Party as soon as practicable thereafter copies of all papers served (if any) with respect to such Third Party Claim. Subject to Section 8.2(c)(v), the failure to so notify or provide information to the Indemnifying Party shall not relieve the Indemnifying Party of any liability that it may have to any Indemnified Party, except to the extent that the Indemnifying

Party is materially prejudiced by the Indemnified Party's failure to give such notice, in which case the Indemnifying Party shall be relieved from its obligations hereunder to the extent of such material prejudice. If the Indemnifying Party does not dispute its potential liability to the Indemnified Party with respect to such Third Party Claim, then the Indemnifying Party shall have the right, exercisable by written notice to the Indemnified Party within ten days after receipt of notice from the Indemnified Party of the Third Party Claim (each, a "ELECTION PERIOD"), to participate in and defend, contest or otherwise protect the Indemnified Party against any such claim, action, suit or proceeding with counsel of the Indemnifying Party's choice (which counsel shall be reasonably satisfactory to the Indemnified Party) at its sole cost and expense; provided, however, that the Indemnifying Party shall not make any settlement or compromise without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed) unless the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. The Indemnified Party shall have the right, but not the obligation, to participate at its own expense in the defense thereof by counsel of the Indemnified Party's choice and shall in any event use its reasonable best efforts to cooperate with and assist the Indemnifying Party. If the Indemnifying Party disputes its potential liability to the Indemnified Party, does not elect within the Election Period to defend the claim or action or fails to timely and diligently defend, contest or otherwise protect against such suit, action, investigation, claim or proceeding, the Indemnified Party shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and the Indemnified Party shall be entitled to recover the entire cost thereof from the Indemnifying Party, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as the result of such suit, action, investigation, claim or proceeding. Payments of all amounts owing by the Indemnifying Party pursuant to this Section 8.l3(a) shall be made not later than thirty (30) days after the latest of (A) the settlement of the Third Party Claim, (B) the expiration of the period for appeal of a final adjudication of such Third Party Claim or (C) the expiration of the period for appeal of a final adjudication of the Indemnifying Party's liability to the Indemnified Party under this Agreement.

(b) If an Indemnified Party should have a claim against an Indemnifying Party hereunder which does not involve a Third Party Claim, the Indemnified Party shall transmit a written indemnity notice to the Indemnifying Party describing in detail the nature of the claim and the basis of the Indemnified Party's request for indemnification under this Agreement and including all supporting documentation. If the Indemnifying Party notifies the Indemnified Party that it does not dispute such claim, the Indemnifying Party shall pay the Indemnified Party the amount of such claim within thirty (30) days of such notice. If the Indemnifying Party disputes such claim, the Indemnifying Party shall notify the Indemnified Party and such dispute shall be resolved by litigation in an appropriate court of competent jurisdiction.

(c) Notwithstanding anything to the contrary in this Section 8.3, should any Third Party Claim hereunder involve a situation where the Indemnified Party reasonably anticipates that part of the claim will be borne by it and part of the claim will be borne by the Indemnifying Party due to the existence of the limitations in Section 8.2(c)(i) or (ii), the parties shall jointly consult and proceed as to any such Third Party Claim.

SECTION 8.4. WAIVER OF CONSEQUENTIAL, ETC. DAMAGES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, BUYER SHALL NOT BE LIABLE TO ANY OF THE SELLER INDEMNIFIED PARTIES, NOR SHALL SELLER BE LIABLE TO ANY OF THE BUYER INDEMNIFIED PARTIES, FOR ANY EXEMPLARY, PUNITIVE, SPECIAL, INDIRECT, CONSEQUENTIAL, REMOTE, OR SPECULATIVE DAMAGES OR LOSSES (INCLUDING, WITHOUT LIMITATION, ANY DAMAGES OR LOSSES ON ACCOUNT OF LOST PROFITS OR OPPORTUNITIES) RESULTING FROM OR ARISING OUT OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, EXCEPT FOR ANY OF THE FOREGOING CONSTITUTING OR RESULTING FROM A THIRD PARTY CLAIM.

SECTION 8.5. COMPLIANCE WITH EXPRESS NEGLIGENCE RULE.

ALL RELEASES, DISCLAIMERS, LIMITATIONS ON LIABILITY, AND INDEMNITIES IN THIS AGREEMENT, INCLUDING THOSE IN THIS ARTICLE VIII, SHALL APPLY EVEN IN THE EVENT OF THE SOLE, JOINT, AND/OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER FAULT OF THE PARTY WHOSE LIABILITY IS RELEASED, DISCLAIMED, LIMITED, OR INDEMNIFIED.

SECTION 8.6. LIQUIDATED DAMAGES.

If (a) Seller terminates this Agreement as provided in Section 7.1(b), or (b) (i) the conditions to the obligations of Buyer set forth in Article V have been satisfied, (ii) this Agreement has not been terminated pursuant to Sections 7.1(a), (c), or (d), and (iii) the Closing has not occurred by June 30, 2003, then Buyer shall pay to Seller a sum equal to $40,000,000.00 by wire transfer of immediately available funds to a bank account in the United States of America designated in writing by Seller not later than three days following receipt of such designation. BUYER HEREBY ACKNOWLEDGES THAT (1) THE EXTENT OF DAMAGES TO SELLER CAUSED BY THE FAILURE OF THIS TRANSACTION TO BE CONSUMMATED WOULD BE IMPOSSIBLE OR EXTREMELY DIFFICULT TO ASCERTAIN (2) THE AMOUNT OF THE LIQUIDATED DAMAGES PROVIDED FOR IN THIS SECTION 8.6 IS A FAIR AND REASONABLE ESTIMATE OF SUCH DAMAGES UNDER THE CIRCUMSTANCES AND (3) RECEIPT OF SUCH AMOUNT BY SELLER DOES NOT CONSTITUTE A PENALTY AND WILL BE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH TERMINATION OF THIS AGREEMENT.

SECTION 8.7. REMEDY.

Except for seeking equitable relief, from and after the Closing the sole remedy of a party in connection with (i) a breach or inaccuracy of the representations, or breach of warranties, in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing, or (ii) any failure by a party to perform or observe any term, provision, covenant, or agreement on the part of such party to be performed or observed under this Agreement, shall, in each case, be as set forth in this Article VIII, Section 4.10 or Section 9.3.

SECTION 8.8. TAX TREATMENT OF INDEMNITY PAYMENTS.

Each party, to the extent permitted by applicable law, agrees to treat any payments made pursuant to Section 4.10 or this Article VIII as adjustments to the Purchase Price for all federal and state income and franchise Tax purposes.

SECTION 8.9. LITIGATION ASSISTANCE.

From and after the Closing, Buyer shall cause the Company to provide, at no cost to Seller, (a) access to all records, files and information maintained or held by the Company with respect to the litigation and claims referred to in Section 8.2(a)(v) and Schedule 8.2(v), the Retained Entities and the contracts referred to in Section 8.2(a)(vii) and Schedule 8.2(vii) and (b) make available all employees of the Company who have knowledge of such litigation and claims, the Retained Entities and such contracts, in each case, upon the reasonable request by Seller from time to time.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

SECTION 9.1. PUBLICITY.

On or prior to the Closing Date, neither party shall, nor shall it permit its Affiliates to, issue or cause the publication of any press release or other announcement with respect to this Agreement or the transactions contemplated hereby without the consent of the other party hereto. Notwithstanding the foregoing, in the event any such press release or announcement is required by law or stock exchange rule to be made by the party proposing to issue the same, such party shall use its reasonable best efforts to consult in good faith with the other party prior to the issuance of any such press release or announcement.

SECTION 9.2. SUCCESSORS AND ASSIGNS; NO THIRD-PARTY BENEFICIARIES.

Neither party shall assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other party, except that Buyer, and after the Closing, Seller may assign its rights or delegate its obligations under this Agreement to an Affiliate without such consent (but no such assignment or delegation shall relieve the assignor or delegator of its obligations hereunder). Except as provided in the preceding sentence, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns. Except as contemplated by Article VIII, Section 4.10 or Section 9.3, nothing in this Agreement shall confer upon any Person not a party to this Agreement, or the legal representatives of such Person, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

SECTION 9.3. INVESTMENT BANKERS, FINANCIAL ADVISORS, BROKERS AND FINDERS.

(a) Seller shall indemnify and agrees to defend and hold the Buyer Indemnified Parties harmless against and in respect of all claims, losses, liabilities and expenses which may be asserted against any Buyer Indemnified Party by any broker or other person who claims to be

entitled to an investment banker's, financial advisor's, broker's, finder's or similar fee or commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, by reason of his acting at the request of Seller or the Company or any of their respective Affiliates.

(b) Buyer shall indemnify and agrees to save and hold the Seller Indemnified Parties harmless against and in respect of all claims, losses, liabilities, fees, costs and expenses which may be asserted against any Seller Indemnified Party by any broker or other person who claims to be entitled to an investment banker's, financial advisor's, broker's, finder's or similar fee or commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, by reason of his acting at the request of Buyer or any of their respective Affiliates.

SECTION 9.4. FEES AND EXPENSES.

Except as otherwise expressly provided in this Agreement, all legal, accounting and other fees, costs and expenses of a party hereto incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees, costs or expenses. Seller and Buyer shall each bear one-half of the costs of HSR Act filing fees.

SECTION 9.5. NOTICES.

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made if delivered personally or sent by overnight courier or sent by facsimile (with evidence of confirmation of receipt) to the parties at the following addresses:

(a) If to Buyer, to:

Loews Pipeline Holding Corp.
667 Madison Avenue
New York, New York 10021
Facsimile: 212-935-6801
Attention: Corporate Secretary

with a copy to:

Dickstein Shapiro Morin & Oshinsky LLP
2101 L Street N.W.
Washington, D.C. 20037
Facsimile: 202-887-0689
Attention: Patrick W. Lynch

(b) If to Seller, to:

Williams Gas Pipeline Company, LLC
One Williams Center
Tulsa, Oklahoma 74172

Facsimile: 918-573-5942
Attention: General Counsel

with a copy to:

Andrews & Kurth L.L.P.
600 Travis, Suite 4200
Houston, Texas 77002
Facsimile: 713-220-4285
Attention: G. Michael O'Leary or Hal V. Haltom, Jr.

or to such other Persons or at such other addresses as shall be furnished by either party by like notice to the other, and such notice or communication shall be deemed to have been given or made as of the date so delivered or mailed. No change in any of such addresses shall be effective insofar as notices under this Section 9.5 are concerned unless such changed address is located in the United States of America and notice of such change shall have been given to such other party hereto as provided in this Section 9.5.

SECTION 9.6. ENTIRE AGREEMENT.

This Agreement, together with the Transaction Documents and the exhibits and schedules hereto and thereto, and the Confidentiality Agreement represent the entire agreement and understanding of the parties with respect to the transactions contemplated herein and therein and no representations or warranties have been made in connection with the transactions contemplated hereby or thereby other than those expressly set forth herein or therein. This Agreement, together with the Transaction Documents and the exhibits and schedules hereto and thereto, and the Confidentiality Agreement supersede all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the subject matter of this Agreement, the Transaction Documents and the Confidentiality Agreement and all prior drafts of this Agreement, the Transaction Documents and the Confidentiality Agreement, all of which are merged into this Agreement, the Transaction Documents and the Confidentiality Agreement, respectively. No prior drafts of this Agreement, the Transaction Documents or the Confidentiality Agreement and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving this Agreement, the Transaction Documents or the Confidentiality Agreement.

SECTION 9.7. WAIVERS AND AMENDMENTS.

Seller or Buyer may, by written notice to the other: (a) extend the time for the performance of any of the obligations or other actions of the other; (b) waive any inaccuracies in the representations or warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement by the other party; (c) waive compliance with any of the covenants of the other contained in this Agreement; (d) waive performance of any of the obligations of the other created under this Agreement; or (e) waive fulfillment of any of the conditions to its own obligations under this Agreement or in any documents delivered pursuant to this Agreement by the other party. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent

breach, whether or not similar, unless such waiver specifically states that it is to be construed as a continuing waiver. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties hereto.

SECTION 9.8. SEVERABILITY.

This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

SECTION 9.9. TITLES AND HEADINGS.

The Article and Section headings and any table of contents contained in this Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of this Agreement or of any term or provision hereof.

SECTION 9.10. SIGNATURES AND COUNTERPARTS.

Facsimile transmission of any signed original document and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of Buyer or Seller, the parties will confirm facsimile transmission by signing a duplicate original document. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

SECTION 9.11. ENFORCEMENT OF THE AGREEMENT.

The parties hereto agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereto, this being in addition to any other remedy to which they are entitled at law or in equity.

SECTION 9.12. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts which would apply the substantive law of some other jurisdiction.

SECTION 9.13. DISCLAIMER OF WARRANTIES.

(a) INFORMATION. EXCEPT AS PROVIDED IN THIS AGREEMENT, SELLER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, STATUTORY OR OTHERWISE, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION, RECORDS, AND DATA NOW, HERETOFORE, OR HEREAFTER MADE AVAILABLE TO BUYER IN CONNECTION

WITH THIS AGREEMENT (INCLUDING ANY DESCRIPTION OF THE COMPANY OR ITS FACILITIES OR EQUIPMENT, REVENUE, PRICE AND EXPENSE ASSUMPTIONS, FORECASTS, OR ENVIRONMENTAL INFORMATION, OR ANY OTHER INFORMATION FURNISHED TO BUYER BY SELLER OR ANY AFFILIATE OF SELLER OR ANY DIRECTOR, OFFICER, EMPLOYEE, COUNSEL, AGENT, OR ADVISOR THEREOF).

(b) FACILITIES. NOTWITHSTANDING ANYTHING CONTAINED TO THE CONTRARY IN ANY OTHER PROVISION OF THIS AGREEMENT, IT IS THE EXPLICIT INTENT OF EACH PARTY TO THIS AGREEMENT THAT, EXCEPT FOR THE REPRESENTATIONS OR WARRANTIES GIVEN IN THIS AGREEMENT, (I) SELLER IS NOT MAKING ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS, IMPLIED, AT COMMON LAW, STATUTORY OR OTHERWISE, AND (II) BUYER ACKNOWLEDGES AND AGREES THAT THE FACILITIES, EQUIPMENT AND OTHER ASSETS OF THE COMPANY ARE BEING TAKEN BY BUYER, SUBJECT TO ALL FAULTS, "AS IS" AND "WHERE IS." WITHOUT LIMITING THE GENERALITY OF THE IMMEDIATELY PRECEDING SENTENCE, EXCEPT AS PROVIDED IN THIS AGREEMENT, SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AT COMMON LAW, STATUTORY, OR OTHERWISE, RELATING TO (I) THE CONDITION OF THE FACILITIES, EQUIPMENT AND OTHER ASSETS OF THE COMPANY (INCLUDING ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, OR THE PRESENCE OR ABSENCE OF ANY HAZARDOUS MATERIALS IN OR ON, OR DISPOSED OR DISCHARGED FROM, SUCH FACILITIES, EQUIPMENT AND OTHER ASSETS) OR (II) ANY INFRINGEMENT BY SELLER, THE COMPANY, OR ANY OF THEIR AFFILIATES OF ANY PATENT OR PROPRIETARY RIGHT OF ANY THIRD PARTY. BUYER HAS AGREED NOT TO RELY ON ANY REPRESENTATION MADE BY SELLER WITH RESPECT TO THE CONDITION, QUALITY, OR STATE OF THE FACILITIES, EQUIPMENT AND OTHER ASSETS OF THE COMPANY EXCEPT FOR THOSE IN THIS AGREEMENT, BUT RATHER, AS A SIGNIFICANT PORTION OF THE CONSIDERATION GIVEN TO SELLER FOR THIS PURCHASE AND SALE, HAS AGREED, EXCEPT AS PROVIDED IN THIS AGREEMENT, TO RELY SOLELY AND EXCLUSIVELY UPON ITS OWN EVALUATION OF THE COMPANY AND THE FACILITIES, EQUIPMENT AND OTHER ASSETS OF THE COMPANY. THE PROVISIONS CONTAINED IN THIS AGREEMENT ARE THE RESULT OF EXTENSIVE NEGOTIATIONS BETWEEN BUYER AND SELLER AND NO OTHER ASSURANCES, REPRESENTATIONS OR WARRANTIES ABOUT THE QUALITY, CONDITION, OR STATE OF THE COMPANY, TGT SUB, THE LLC AND THE FACILITIES, EQUIPMENT AND OTHER ASSETS OF THE COMPANY WERE MADE BY SELLER IN THE INDUCEMENT THEREOF, EXCEPT AS PROVIDED HEREIN.

SECTION 9.14. [INTENTIONALLY OMITTED]

SECTION 9.15. BULK SALES OR TRANSFER LAWS.

Buyer hereby waives compliance by Seller with the provisions of any applicable bulk sales or transfer laws.

SECTION 9.16. CERTAIN DEFINITIONS.

For purposes of this Agreement, the term:

(a) "AFFILIATE" of a person means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person.

(b) "FUNDED DEBT" shall mean the Company's 7 1/4% debentures due 2027 and 8 5/8% Notes due 2004, as more fully described in Schedule 1.2.

(c) "INTELLECTUAL PROPERTY" means proprietary inventions, marks (including trademarks and service marks), copyrights, mask works, applications therefor, patents thereon, registrations and licenses thereof, royalty rights, proprietary technical information, trade secrets, secret processes and procedures, know-how (including technical drawings and specifications), and Software including all property listed or described on Schedule 2.12(a).

(d) "KNOWLEDGE" means the actual knowledge of Doug Whisenant, Brian Shore, Dean Jones, Alan Englehart, Kathy Kirk, Jamie Buskill, Tom Janorschke, Doug Field, Jim Hendrix, Jeff Heinrichs and Richard Rodekohr.

(e) "LIST C CONTRACTS" means those 37 contracts, identified by Contract Number, set forth under the heading "Response - List C Contracts managed by Marketing Company" to Question No. GSR-1-(3k) (Requirements and has Supply) set forth in the Company's Response to Data Request of Customer Group 1 GSR Group (GSR-1) of Docket No. RP94-119.

(f) "MATERIAL ADVERSE EFFECT" shall mean any condition, change, circumstance or event, individually or when taken together with all other conditions, changes, circumstances and events that have occurred during any relevant period of time prior to determination of Material Adverse Effect, that has a material adverse effect on (x) the assets, properties, business, results of operations or financial condition of the Company, it being understood that none of the following shall be deemed to constitute a Material Adverse Effect: (i) any effect resulting from entering into this Agreement or the announcement of the transactions contemplated by this Agreement, (ii) any effect resulting from changes in general economic conditions in the industry in which the Company operates, and (iii) any effect resulting from changes in the United States or global economy as a whole, or (y) the ability of Seller to timely perform in all material respects its obligations under this Agreement and the Transaction Documents.

(g) "PERSON" means an individual, corporation, association, trust, limited liability company, limited partnership, limited liability partnership, partnership, incorporated organization, other entity or group (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934).

(h) "RETAINED ENTITIES" shall mean TGT Enterprises, LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company (the "LLC"), TGT Enterprises, Inc., a Delaware corporation and a wholly owned subsidiary of the LLC ("TGT SUB"), and Unitary GH&C Products, LLC, a limited liability company.

(i) "SEC" means the Securities and Exchange Commission.

(j) "SOFTWARE" means computer software programs and software systems (including, without limitation, all data, databases, compilations, tool sets, related documentation and materials, whether in source code, object code or human readable form and regardless of media).

(k) "SPECIFIED POLICIES" shall mean the following insurance policies (or the May 1, 2003 renewals thereof):

Insurer			Policy Number	Limits
1.	Associated Electric & Gas Insurance Services (AEGIS)		X0559A1A02	$35,000,000 excess of a $2,000,000 SIR
2.	Energy Insurance Mutual (EIM)		501184-01GL	$100,000,000 excess of AEGIS
3.	(a)	Lloyd's - 65%	EL0200289	$100,000,000 excess of EIM
	(b)	Scor/General Security		
	(c)	Indemnity Company - 5%		
	(d)	Axis - 10%		
	(e)	Swiss Re/SR International		
	(f)	Business Insurance		
	(g)	Company - 10%		
	(h)	Atrium - 10%		

(l) "TRANSACTION DOCUMENTS" shall mean the agreements, contracts, documents, instruments and certificates provided for in this Agreement to be entered into by one or more of the parties hereto or any of their Affiliates in connection with the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLER: WILLIAMS GAS PIPELINE COMPANY, LLC

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Assistant Treasurer

BUYER: LOEWS PIPELINE HOLDING CORP.

By: /s/ Peter W. Keegan

Name: Peter W. Keegan
Title: Senior Vice President

Parent is executing this Agreement solely with respect to its obligations under Section 4.10.

PARENT: THE WILLIAMS COMPANIES, INC.

By: /s/ Mark D. Wilson

Name: Mark D. Wilson
Title: Senior Vice President

Index of Defined Terms

EXHIBIT 10.2

PURCHASE AND SALE AGREEMENT

BETWEEN

WILLIAMS PRODUCTION RMT COMPANY AND WILLIAMS PRODUCTION COMPANY, L.L.C.

AS SELLER,

AND

XTO ENERGY INC.

AS BUYER

DATED: APRIL 9, 2003

CONFIDENTIAL

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DEFINED TERMS

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT ("Agreement"), dated April 9, 2003, is by and between Williams Production RMT Company, a Delaware corporation, and Williams Production Company, L.L.C., a Delaware limited liability company whose address is One Williams Center, Tulsa, Oklahoma 74172 ("SELLER") and XTO Energy Inc., a Delaware corporation, whose address is 810 Houston Street, Fort Worth, Texas 76102 ("BUYER").

RECITALS

A. Seller owns and desires to sell certain real and personal property interests located in Finney, Grant, Hamilton, Haskell, Kearney, Morton, Seward and Stanton Counties, Kansas and in Las Animas County, Colorado; and in San Juan and Rio Arriba Counties, New Mexico and La Plata County, Colorado as well as its ownership interest in Plains Petroleum Gathering Company, all as more fully described in Section 1.2 below (collectively referred to herein as the "ASSETS").

B. Buyer desires to purchase the Assets upon the terms and conditions set forth in this Agreement.

AGREEMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

ARTICLE 1
PURCHASE AND SALE

1.1 PURCHASE AND SALE. Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase and receive from Seller, all of Seller's right, title and interest in the Assets, pursuant to the terms and conditions of this Agreement.

1.2 ASSETS. The "ASSETS" are all of Seller's right, title, and interest in and to the real and personal property interests described in Section 1.2(a) through 1.2(h) below, located in the following counties: Finney, Grant, Hamilton, Haskell, Kearney, Morton, Seward and Stanton Counties, Kansas; Las Animas County, Colorado; and San Juan and Rio Arriba Counties, New Mexico and La Plata County, Colorado (except for the Excluded Properties) as well as all of Seller's right, title and interest in and to the shares of Plains Petroleum Gathering Company described in Section 1.2.g.

a. The interests in the oil and gas leases as limited and described on EXHIBIT A-1 (the "LEASES"), and the interests in the fee mineral interests as limited and described on EXHIBIT A-1 (the "FEE INTERESTS"), and with respect to the Leases and Fee Interests located in San Juan and Rio Arriba Counties, New Mexico and La Plata County, Colorado, insofar and only insofar as such Leases and Fee Interests cover the interests in the lands located in such counties and specifically described on EXHIBIT A-1 (the "LANDS"); the term royalty interest described on Exhibit A-1 (the "TERM ROYALTY INTEREST")and the oil, gas and all other hydrocarbons

("HYDROCARBONS"), in, on or under or that may be produced from the Leases and the Fee Interests; provided that with respect to the Leases and Fee Interests located in San Juan and Rio Arriba Counties, New Mexico and La Plata County, Colorado only the Hydrocarbons in, on or under or that may be produced from the Lands located in such counties covered by such Leases and Fee Interests as limited and specifically described on Exhibit A-1.

b. The oil and gas wells located on the Leases, Fee Interests and Lands, or lands pooled or unitized therewith, including without limitation the oil and gas wells described on EXHIBIT A - 2 (the "WELLS"), all injection and disposal wells on the Leases, Fee Interests or Lands, and all personal property and equipment connected to the Wells as of the Closing Date.

c. The rights and obligations, to the extent transferable, in and to all existing and effective unitization, pooling and communitization agreements, declarations and orders, but only to the extent of the interests therein that relate to or affect any of the interests described in Sections 1.2.a. and 1.2.b. or the post-Effective Time production of Hydrocarbons from such interests.

d. The rights and obligations, to the extent transferable, in and to Hydrocarbon sales, purchase, gathering, transportation and processing contracts, operating agreements, balancing agreements, joint venture agreements, partnership agreements, farmout agreements, net profits agreements and other contracts, agreements and instruments, but only to the extent of the interests therein that relate to the interests described in Sections 1.2.a., 1.2.b. and 1.2.c, including without limitation the agreements described on Exhibit B (the "MATERIAL AGREEMENTS").

e. All of the personal property, vehicles, fixtures, improvements (including communication tower(s) located on the Lands and the computer aided telemetry principally used in connection with the Fee Interests and the Leases, including to the extent transferable software), tanks, boilers, buildings, improvements, injection facilities, saltwater disposal facilities, compression facilities, gathering systems, other appurtenances and facilities (including without limitation the Weston Easement and Gathering Line and other equipment and facilities described on Exhibit A-3) located on and used in connection with or otherwise principally related to the exploration for or production, gathering, treatment, processing, storing, sale or disposal of Hydrocarbons or water produced from the Assets as limited and described in Sections 1.2.a. through 1.2.c.

f. The rights and obligations, to the extent transferable, in all permits, licenses, approvals, servitudes, rights of way, easements, surface leases and other surface rights, but only to the extent of the interests therein that relate to the interests described in Sections 1.2.a. through 1.2.e.

g. The issued and outstanding shares of Plains Petroleum Gathering Company (the "SHARES").

h. Seller's files, records, data and information relating to the Assets described in Sections 1.2.a. through 1.2.g., provided, however, the foregoing shall not include any files, records, data or information which is attorney work product or subject to attorney

client privilege or any files, records, data or information which by agreement Seller is required to keep confidential except and to the extent a waiver in writing is obtained of any such confidentiality requirements (the "RECORDS"). Notwithstanding the foregoing, Seller shall retain the original versions of the Records relating to the Assets located in San Juan and Rio Arriba County, New Mexico and La Plata County, Colorado and shall provide complete copies of same to Buyer in the same format as such Records exist in Seller's files; provided that the original of such Records will be delivered to Buyer as to any Lease, Well or other Asset in which Seller is not retaining an interest as to Lands or formations.

It is the intent of the Parties that, except for the Excluded Properties, the Assets include all of Seller's right, title and interest in and to (i) any oil and gas leases, fee mineral interests and royalty interests owned by Seller which are located in Finney, Grant, Hamilton, Haskell, Kearney, Morton, Seward and Stanton Counties, Kansas and Las Animas County, Colorado and all wells located on such leases and fee interests or lands pooled or unitized therewith and (ii) the oil and gas units described on Exhibit A-4, but only to the extent Seller's interests in such units pertain to the formations specified in such Exhibit A-4 for such units (with Seller's interests in such units in all other formations not intended to be a part of the Assets).

1.3 EXCLUDED PROPERTIES. All of Seller's right, title and interest in the items set forth on Exhibit I (collectively the "EXCLUDED PROPERTIES") are excepted and excluded from this Agreement.

1.4 EFFECTIVE TIME. The purchase and sale of the Assets shall be effective as of April 1, 2003 at 7:00 a.m., where the Assets are located, except that the purchase and sale of the Assets located in Finney, Grant, Hamilton, Haskell, Kearny, Morton, Seward and Stanton Counties, Kansas shall be effective as of March 1, 2003 at 7:00 a.m., local time where such Assets are located. (the "EFFECTIVE TIME").

ARTICLE 2
PURCHASE PRICE

2.1 PURCHASE PRICE. The purchase price for the Assets shall be four hundred million dollars ($400,000,000) (the "PURCHASE Price"). At Closing, Buyer shall pay Seller the Purchase Price as adjusted pursuant to Sections 2.2 and 2.3 below by wire transfer of immediately available funds to the following two accounts: Bank One, Chicago, Illinois, ABA # 071000013, Williams Production RMT Company, Account 1098250 and Bank One, Chicago, Illinois, ABA#071000013, Williams Production Company, L.L.C., Account 9403908 ,in amounts to be specified by Seller prior to Closing.

2.2 DEPOSIT. No later than 3:00 p.m. Central Time on the day of execution of this Agreement by all parties, Buyer will deliver by wire transfer of immediately available funds ten percent (10%) of the Purchase Price to Seller as a deposit (the "DEPOSIT"), to be held by Seller and either (i) applied against the Purchase Price (without interest) in the event the Closing is consummated, (ii) returned to Buyer (without interest) if Seller fails to close after all conditions specified in Section 9.1 have been satisfied or waived and Buyer certifies to Seller in writing that it is ready, willing and able to perform under Article 11, or (iii) retained by Seller if all

conditions specified in Section 9.2 have been satisfied and Seller certifies to Buyer in writing that Seller is ready, willing and able to perform under Article 11, but Buyer fails to close.

2.3 ADJUSTMENTS TO PURCHASE PRICE. The Purchase Price shall be adjusted according to this Section without duplication. For all adjustments known as of Closing, the Purchase Price shall be adjusted at Closing pursuant to a "PRELIMINARY SETTLEMENT STATEMENT" prepared by Seller and provided to Buyer on or before Closing. A draft of the Preliminary Settlement Statement will be prepared by Seller and provided to Buyer two (2) business days prior to Closing. The Preliminary Settlement Statement shall set forth the Purchase Price as adjusted as provided in this Section using the best information available at the Closing Date which amount shall be paid at Closing and is referred to as the "CLOSING AMOUNT." The Closing Amount shall be paid at Closing by wire transfer of immediately available funds in accordance with the wiring instructions set forth in Section 2.1. After Closing, final adjustments to the Purchase Price shall be made pursuant to the Final Settlement Statement to be delivered pursuant to Section 12.1. For the purposes of this Agreement, the term "PROPERTY EXPENSES" shall mean all capital expenses, joint interest billings, lease operating expenses, lease rental and maintenance costs, taxes (as defined and apportioned as of the Effective Time pursuant to Article 13), drilling expenses, workover expenses, geological, geophysical and any other exploration or development expenditures chargeable under applicable operating agreements or other agreements consistent with the standards established by the Council of Petroleum Accountant Societies of North America ("COPAS")that are attributable to the maintenance and operation of the Assets during the period in question. Seller and Buyer agree that the Purchase Price reflects the gas imbalance volumes attributable to the Wells that are set forth on EXHIBIT C. If the actual imbalance volumes as of the Effective Time are different than those set forth on Exhibit C, the Purchase Price will be adjusted in accordance with Sections 2.3.a.(vi) and 2.3.b.(v), as applicable and will be subject to adjustment and confirmation in connection with preparation of the Final Settlement Statement.

a. Upward Adjustments. The Purchase Price shall be adjusted upward by the following:

(i) An amount equal to all (x) Property Expenses, including prepaid expenses, attributable to the Assets for the period after the Effective Time through May 31, 2003 that are to be paid by Seller (all to be apportioned as of the Effective Time except as otherwise provided), including without limitation, prepaid insurance costs, prepaid utility charges, prepaid rentals, including lease rentals, and prepaid drilling and completion costs (to be apportioned as of the Effective Time based on drilling days), and (y) all other costs and expenses attributable to the ownership or operation of the Assets after the Effective Time that are paid by Seller, but in the case of both (x) and (y) excluding any administrative overhead charges by Seller or any of its affiliates. To the extent the actual Property Expenses or such other costs and expenses are not known at Closing, the adjustment will be made utilizing the estimate of Seller (based upon prior months history of expenses for the Assets where appropriate), after approval of such estimate by Buyer (with such approval not to be unreasonably withheld); provided, however, for all such Property Expenses and other costs and expenses for which Seller receives an upward adjustment to the Purchase Price which have not been paid at Closing, Seller shall be responsible for paying such Property Expenses and such other costs and expenses after Closing.

(ii) The proceeds of production attributable to the Assets occurring before the Effective Time and received by Buyer, net of royalties and taxes measured by production.

(iii) An amount equal to production from the Assets that occurred before the Effective Time but, because such production is in processing, had not been sold as of the Effective Time times the price for which production from the Assets was sold immediately prior to the Effective Time; and

(iv) To the extent that there are any pipelines imbalances, if the net of such imbalances is an overdelivery imbalance (that is, at the Effective Time, Seller has delivered more gas to the pipeline than the pipeline has redelivered for Seller), the Purchase Price shall be adjusted upward by the product of the price received by Seller for the month prior to the month in which the Effective Time occurs times the net overdelivery imbalance in MMbtus.

(v) An amount equal to the value, based upon the price received for Seller's share of any oil or condensate in tanks or storage facilities produced from or credited to the Leases, Fee Interests and Lands prior to the Effective Time based upon the saleable quantities in oil or condensate tanks or storage facilities as measured by and reflected in Seller's records.

(vi) To the extent that the gas imbalance quantities attributable to the Wells set forth on EXHIBIT C, in the aggregate, reflect less than the actual quantity of gas in MMbtus which Seller is entitled to take in excess of its fractional interest in the Wells as a result of underproduction by Seller from the Wells as of the Effective Time (such additional quantity of underproduced gas being the "ADDITIONAL UNDERPRODUCED GAS"), the Purchase Price shall be adjusted upward by an amount equal to the product of $2.00 times the Additional Underproduced Gas.

(vii) Any other amount provided in this Agreement or agreed upon by Seller and Buyer.

b. Downward Adjustments. The Purchase Price shall be adjusted downward by the following:

(i) An amount equal to the Title Purchase Price Adjustment, as defined in Section 4.7;

(ii) An amount equal to the Environmental Purchase Price Adjustment as defined in Section 5.6;

(iii) The proceeds of production attributable to the Assets occurring on or after the Effective Time to be received by Seller attributable to the period from the Effective Time to May 31, 2003, net of royalties and taxes measured by production, provided that, to the extent the actual proceeds of production are not known at Closing, the adjustment will be made utilizing the estimate of Seller (based upon prior months history of production from the Assets where appropriate), after approval of such estimate

by Buyer (with such approval not to be unreasonably withheld); provided, however, for all such proceeds of production for which Buyer receives a downward adjustment of the Purchase Price which have not been received by Seller at Closing, if following Closing, such proceeds are received by Buyer they shall be promptly paid over to Seller.

(iv) To the extent that there are any pipelines imbalances, if the net of such imbalances is an underdelivery imbalance (that is, at the Effective Time, Seller has delivered less gas to the pipeline than the pipeline has redelivered for Seller), the Purchase Price shall be adjusted downward by the product of the price received by Seller for the month prior to the month in which the Effective Time occurs times the net underdelivery balance in MMbtus;

(v) To the extent that the gas imbalance quantities attributable to the Wells set forth on Exhibit C, in the aggregate, reflect less than the actual quantities of gas in MMbtus which Seller is obligated to deliver in excess of its fractional interest in the wells as a result of overproduction by Seller from the Wells as of the Effective Time (such additional quantities of overproduced gas being the "ADDITIONAL OVERPRODUCED GAS"), the Purchase Price shall be adjusted downward by an amount equal to the product of $2.00 times the Additional Overproduced Gas;

(vi) An amount equal to the Seller Property Tax, as defined in Section 13.1;

(vii) Any other amount provided in this Agreement or agreed upon by Seller and Buyer.

2.4 ALLOCATED VALUES The Purchase Price shall be allocated among the Assets as set forth in EXHIBIT D.

ARTICLE 3
DUE DILIGENCE INSPECTION

3.1 ACCESS TO RECORDS. Subject to the provisions of the Confidentiality Agreement dated March 20, 2003 between Seller and Buyer, upon the execution of this Agreement, Seller will disclose and make available to Buyer and its representatives at Seller's or Seller's agent's office and during Seller's normal business hours, all Records in Seller's possession relating to the Assets for the purpose of permitting Buyer to perform its due diligence review including, but not limited to, all well, leasehold, unit and title files and title opinions. Seller agrees to cooperate with Buyer in Buyer's efforts to obtain, at Buyer's sole expense, such additional information relating to the Assets as Buyer may reasonably desire. Buyer may inspect the Records only to the extent it may do so without violating any obligation, confidence or contractual commitment of Seller to a third party. Seller shall use reasonable efforts to obtain the necessary consents to allow Buyer's examination of any confidential information that is material to this transaction.

3.2 NO REPRESENTATION OR WARRANTY. Seller makes no representation or warranty as to the accuracy or completeness of the records, files, data or information maintained by Seller

and made available to Buyer. Buyer agrees that any conclusions drawn from such records, files, data or information shall be the result of its own independent review and judgment.

3.3 ACCESS TO THE ASSETS AND INDEMNITY. Prior to Closing, Seller shall permit Buyer, and the officers, employees, agents and advisors of Buyer, to have reasonable access to the Assets pursuant to the terms of a Temporary Access Agreement to be executed between the parties, in the form attached herein as Exhibit K.

ARTICLE 4
TITLE MATTERS

4.1 DEFENSIBLE TITLE. The term "DEFENSIBLE TITLE" means such title of Seller in and to the Assets that, subject to and except for the Permitted Encumbrances: (i) entitles Seller to receive not less than the net revenue interest described on Exhibit A-2 ("NRI"); (ii) obligates Seller to bear costs and expenses relating to the Assets in an amount not greater than the working interest described on Exhibit A-2 ("WI") without a corresponding increase in the NRI; and (iii) is free and clear of liens, taxes, encumbrances, mortgages, claims and production payments and any defects in title that would create a material impairment of use and enjoyment of or loss of interest in the affected Asset.

4.2 PERMITTED ENCUMBRANCES. The term "PERMITTED ENCUMBRANCES" shall mean:

a. Royalties, overriding royalties, production payments, reversionary interests and similar burdens if the net cumulative effect of such burdens does not operate to reduce the NRIs below those set forth on Exhibit A-2.

b. Net profits interests in connection with those specific properties identified on Exhibit A-2 as being subject to any net profits interests;

c. Any required third-party consents to assignment of Leases and contracts (including the Material Agreements), and preferential purchase rights which shall be handled exclusively under Sections 4.10 and 4.11 below;

d. Liens for taxes or assessments not yet due or not yet delinquent or, if delinquent, that are being contested in good faith in the normal course of business;

e. All rights to consent by, required notices to, filings with, or other actions by federal, state, local governmental entities or tribal entities in connection with the sale or conveyance of the Assets if the same are customarily obtained subsequent to such sale or conveyance;

f. Rights of reassignment, to the extent any exist as of the date of this Agreement, upon the surrender or expiration of any lease;

g. Easements, rights-of-way, servitudes, permits, surface leases and other rights with respect to surface operations, pipelines, grazing, logging, canals, ditches, reservoirs or the like, and easements for streets, alleys, highways, pipelines, telephone lines, power lines, railway and other easements and rights of way, on, over or in respect of any of the properties or any

restriction on access thereto and that do not materially interfere with the operation of the affected property;

h. Materialmen's, mechanics', repairmen's, employees', contractors', operators' or other similar liens or charges arising in the ordinary course of business incidental to construction, maintenance or operation of the Assets (i) if they have not been filed pursuant to law and the time for filing them has expired, (ii) if filed, they have not yet become due and payable or payment is being withheld as provided by law, or (iii) if their validity is being contested in good faith by appropriate action; provided that, in any event the payment of such liens and charges to the extent attributable to the period prior to the Effective Time shall remain the obligation of Seller;

i. Rights reserved to or vested in any municipality or governmental, statutory, public or tribal authority to control or regulate any of the Assets in any manner; and all applicable laws, rules, regulations and orders of general applicability in the area;

j. Liens arising under operating agreements, unitization and pooling agreements and production sales contracts securing amounts not yet due or, if due, being contested in good faith in the ordinary course of business;

k. The terms of the Material Agreements and any and all other agreements that are ordinary and customary in the oil, gas, sulfur and other mineral exploration, development or extraction business, or in the business of processing of gas and gas condensate for the extraction of products therefrom. For the avoidance of doubt, however, if the net cumulative effect of any such agreement operates to (i) reduce the NRI of a property described on Exhibit A-2 below the NRI for such property set forth on Exhibit A-2 or (ii) increase the WI of a property described on Exhibit A-2 above the WI for such property set forth on Exhibit A-2 without a corresponding increase in the NRI, such reduction in the NRI or increase in the WI shall be considered a Title Defect under Section 4.3;

l. Such Title Defects or other defects as Buyer may waive;

m. Mortgage, Deed of Trust, Security Agreement, Assignment of Production and Financing Statement from Williams Production RMT Company to Lehman Commercial Paper, Inc., as Administrative Agent, dated July 30, 2002, as subsequently amended or supplemented which will, as to the Assets, be released at Closing, as a condition of Closing;

n. Statutory liens securing the payment of production proceeds to persons entitled thereto not yet due or if due, being contested in good faith in the ordinary course of business.

4.3 TITLE DEFECT. The term "TITLE DEFECT" means any encumbrance, encroachment, irregularity, defect in or objection to real property title, excluding Permitted Encumbrances, that alone or in combination with other defects:

a. Renders title to an Asset less than Defensible Title; and/or

b. Reduces, impairs or prevents Buyer from receiving payment from the purchasers of production from an Asset;

4.4 NOTICE OF TITLE DEFECTS. Buyer shall deliver to Seller a written "NOTICE OF TITLE DEFECTS" with respect to any Title Defect which is a Qualifying Title Defect (as defined below) promptly upon learning of same, but no later than May 23, 2003 , 5:00 p.m., Central Time. The Notice of Title Defects shall (i) describe the Title Defect, (ii) describe the basis of the Title Defect and (iii) describe Buyer's good faith estimate of the reduction in the Asset's Allocated Value caused by the Title Defect ("TITLE DEFECT VALUE"), and contain all calculations and documentation substantiating the existence of the Title Defect. Buyer will be deemed to have conclusively waived any Title Defect about which it fails to so notify Seller in writing prior to May 23, 2003 at 5:00 p.m. Central Time. Seller may contest the Title Defect or the Title Defect Value by so notifying Buyer. The agreement of Seller and Buyer (or, if applicable, the decision of the Title Arbiter) as to the Title Defect Value shall result in the "ACTUAL TITLE DEFECT VALUE".

4.5 SELLER'S RIGHT TO CURE. Seller shall have the option, but not the obligation, to attempt to cure any Title Defects. Seller shall notify Buyer prior to Closing of its election to cure any Title Defect, and shall thereafter, provide to Buyer as soon as practicable prior to Closing evidence that any such Title Defect is cured.

4.6 REMEDIES FOR TITLE DEFECTS. In the event that any Title Defect is not cured on or before Closing, Seller shall, at its sole election, elect one of the following by so notifying Buyer not later than two (2) business days prior to Closing (except for any Disputed Title Matters which are not resolved by May 30, 2003 which shall be governed by Section 4.8 below):

a. Credit Buyer with the amount of the Actual Title Defect Value for a Qualifying Title Defect, in which event the parties shall proceed to Closing and the Asset that is subject to such Title Defect shall be conveyed by Seller to Buyer subject to such Title Defect and Buyer shall pay to Seller the Purchase Price as so adjusted;

b. Retain the Asset subject to such Title Defect and reduce the Purchase Price by an amount equal to the Allocated Value of such Asset, in which event the parties shall proceed to Closing and the Asset that is subject to such Title Defect shall be retained by Seller and Buyer shall pay to Seller the Purchase Price as so adjusted.

4.7 TITLE THRESHOLDS. Seller shall have no obligation under Section 4.6 and there shall be no reduction to the Purchase Price under Sections 4.6.a or 4.6.b unless the Actual Title Defect Value as to any single Title Defect incident would exceed Ten Thousand Dollars ($10,000) (a "QUALIFYING TITLE DEFECT"). For the purposes of application of the foregoing threshold, "single Title Defect incident" shall be a Title Defect applicable on a well by well or property by property basis. In addition, in no event shall there be a reduction to the Purchase Price under Sections 4.6.a and 4.6.b until such time as the total of these amounts for Qualifying Title Defects exceeds one percent (1%) of the Purchase Price (the "TITLE THRESHOLD AMOUNT"), and, in such event, the Purchase Price reductions shall exclude the Title Threshold Amount. The amount by which the total Purchase Price reductions under Section 4.6.a. and 4.6.b. exceed the Title Threshold Amount is the "TITLE PURCHASE PRICE ADJUSTMENT."

4.8 TITLE DISPUTE RESOLUTION. (a) Seller and Buyer agree to resolve disputes concerning the following matters pursuant to this Section: (i) the existence and scope of a Title Defect, (ii) the Title Defect Value of that portion of the Asset affected by a Title Defect, (iii) the adequacy of Seller's Title Defect curative materials (the "DISPUTED TITLE MATTERS"). The parties agree to attempt to initially resolve all Disputed Title Matters through good faith negotiations. If the parties cannot resolve such disputes by May 30, 2003, the Disputed Title Matters shall be finally determined pursuant to Section 4.8(b) by a mutually agreeable law firm(s) (the "TITLE ARBITER"), taking into account the factors set forth in this Agreement. In such event, the Closing shall not be delayed due to such unresolved Disputed Title Matters and the Assets subject to such unresolved Disputed Title Matters shall be assigned and transferred to Buyer at Closing without any reduction to the Purchase Price.

(b) For any Disputed Title Matters not resolved by May 30, 2003, Buyer and Seller shall, on or before June 11, 2003, present their respective positions in writing to the Title Arbiter, together with such evidence as each party deems appropriate. The Arbiter shall be instructed to resolve the dispute through a final decision by June 30, 2003. The costs incurred in employing the Arbiter shall be borne equally by Seller and Buyer. The Title Arbiter's final decision shall be binding on the parties. Within five (5) business days following Seller's receipt of the Title Arbiter's final written decision, Seller shall, subject to Section 4.8(c) and at its sole election, elect one of the following with respect to the Asset that is the subject of such decision of the Title Arbiter by so notifying Buyer:

(i.) Pay to Buyer, within three (3) days of such election, the amount of the Actual Title Defect Value determined in the Title Arbiter's decision for the Qualifying Title Defect which was the subject of such decision, in which event, upon such payment, Seller shall have no further obligation or liability relating to such Qualifying Title Defect or

(ii.) Have Buyer reconvey to Seller the interest in the Asset acquired by Buyer (including a special warranty from Buyer) to which the Qualifying Title Defect pertains which was the subject of the Title Arbiter's decision and concurrent with such reconveyance Seller shall pay to Buyer the Allocated Value of such Asset. Such reconveyance shall occur within three (3) days of Buyer's receipt of Seller's election notice, but shall be effective as of the Effective Time.

(c) Notwithstanding the other provisions of this Section 4.8, Seller shall not be obligated to elect either of the remedies set forth in Section 4.8(b) above for any Disputed Title Matter unless the Title Arbiter finds such Disputed Title Matter to be a Qualifying Title Defect, and then only to the extent the sum of all Actual Title Defect Values of all Qualifying Title Defects established before and after Closing exceeds the Title Threshold Amount. If the sum of all Actual Title Defect Values of all Qualifying Title Defects does not exceed the Title Threshold Amount, then Buyer shall retain the interests in the Assets subject to all Title Defects and Seller shall have no further obligation or liability relating to any Title Defects. If the sum of all Actual Title Defect Values of all Qualifying Title Defects exceeds the Title Threshold Amount, then (i) Seller shall only be obligated to elect the remedies set forth in Section 4.8(b) for that portion of such sum of all Actual Title Defect Values in excess of the Title Threshold Amount and (ii) Buyer shall retain the interests in the Assets subject to all Qualifying Title Defects the sum of

whose Actual Title Defect Values is less than or equal to the Title Threshold Amount and Seller shall have no further obligation or liability relating to all such Qualifying Title Defects.

4.9 DEPLETION AND DEPRECIATION OF PERSONAL PROPERTY. Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Assets from the Effective Time until Closing for production of oil, gas and/or other hydrocarbons through depletion (including the watering-out of any well, collapsed casing or sand infiltration of any well) and the depreciation of personal property due to ordinary wear and tear.

4.10 CONSENTS. Seller shall use reasonable efforts to obtain all required consents to assignment of Leases and contracts (including the Material Agreements). If Buyer discovers properties for which consents to assign are applicable during the course of Buyer's due diligence activities, Buyer shall notify Seller immediately and Seller shall use reasonable efforts to obtain such consents prior to Closing. Except for consents and approvals which are customarily obtained post-Closing (including without limitation federal, state or other governmental approvals) and those consents which would not invalidate the conveyance of the Assets, if a necessary consent to assign any Asset has not been obtained as of the Closing, then (i) the portion of the Assets for which such consent has not been obtained shall be included with the Assets at the Closing, and the Purchase Price for that Asset shall be included in the Preliminary Settlement Statement, (ii) Seller shall employ reasonable efforts to obtain such consent as promptly as possible following Closing, and (iii) if such consent has not been obtained as of the Final Settlement Date, unless the Seller and Buyer otherwise mutually agree in writing, the Allocated Value of the Asset shall be a downward adjustment to the Purchase Price on the Final Settlement Statement and Buyer shall reassign such Asset to Seller, effective as of the Effective Time. Buyer shall reasonably cooperate with Seller in obtaining any required consent including providing assurances of reasonable financial conditions.

4.11 PREFERENTIAL PURCHASE RIGHTS. Seller shall send notice of this Agreement to all persons holding preferential purchase rights in any portion of the Assets offering to sell to each such person that portion of the Assets for which such a preferential right is held for an amount equal to the Allocated Values of such Assets and subject to all other applicable terms and conditions of this Agreement. If, prior to Closing, any person asserting a preferential purchase right notifies Seller that it intends to consummate the purchase of that portion of the Assets to which it holds a preferential purchase right pursuant to the terms and conditions of such notice and this Agreement, then such Assets shall be excluded from the Assets identified in this Agreement and the Purchase Price shall be reduced by the Allocated Values of such Assets. However, at Seller's option, if the holder of such preferential right has not purchased such Assets prior to the Closing Date, then Seller shall promptly so notify Buyer, and Seller shall sell to Buyer, and Buyer shall purchase from Seller, the Assets to which the preferential purchase right was asserted for the Allocated Values of such Assets. If Seller does not sell to Buyer such Assets because of the exercise of such preferential right and the sale of such Assets to such preferential right holder has not been consummated within sixty (60) days of Closing, such Assets shall be sold by Seller and purchased by Buyer at the Allocated Value for such Assets as of the Effective Time. All Assets for which a person asserting a preferential purchase right has not notified Seller that it intends to consummate the purchase of that portion of the Assets to which it holds a preferential purchase right pursuant to the terms and conditions of such notice and this Agreement prior to Closing, shall also be sold to, and purchased by, Buyer at Closing

pursuant to the provisions of this Agreement at the Allocated Values for such Assets. For any Assets so transferred to Buyer, whether at Closing or thereafter, Buyer shall perform all valid preferential purchase right obligations, if any, of Seller relating to such holders and Buyer shall be entitled to receive (and Seller hereby assigns to Buyer all of Seller's rights to) all proceeds received from such holders in connection with such preferential purchase rights. Buyer assumes all risk, liability and obligations, and shall defend, indemnify, and hold harmless Seller from and against all Losses (as defined in Section 14.4), which arise from or in connection with any Assets transferred to Buyer pursuant to this Section.

4.12 CASUALTY LOSS. Prior to Closing, if any of the Assets is destroyed by fire or other casualty or if any of the Assets is taken or threatened to be taken in condemnation or under the right of eminent domain ("CASUALTY LOSS"), Buyer shall not be obligated to purchase such Asset if it provides written notice to Seller prior to Closing of Buyer's election not to purchase such Asset. If Buyer so elects not to purchase such Asset, the Purchase Price shall be adjusted as agreed to by Buyer and Seller. If Buyer elects to purchase such Asset, the Purchase Price shall be reduced by the estimated cost to repair such Asset (with equipment of similar utility) as agreed to by Buyer and Seller (the reduction being the "NET CASUALTY LOSS"). The Net Casualty Loss shall not, however, exceed the Allocated Value of such Asset. Seller, at its sole option, may elect to cure such Casualty Loss. Notwithstanding the other provisions of this Section 4.12, if Seller elects to cure such Casualty Loss, Seller may replace any personal property that is the subject of a Casualty Loss with equipment of similar grade and utility, or replace any real property with real property of similar nature and kind if such real property is acceptable to Buyer. If Seller elects to cure the Casualty Loss, the Asset subject to such Casualty Loss shall be purchased by Buyer and there shall be no adjustment to the Purchase Price.

ARTICLE 5
ENVIRONMENTAL MATTERS

5.1 DEFINITIONS. For the purposes of the Agreement, the following terms shall have the following meanings:

"ENVIRONMENTAL DEFECT" means a condition in, on or under the Assets (including, without limitation, air, land, soil, surface and subsurface strata, surface water, ground water, or sediments) that causes an Asset to be in violation of an Environmental Law or a condition that can reasonably be expected to give rise to costs or liability under applicable Environmental Laws. NORM (defined in Section 5.2), contaminated pipe, meters, tubing and wellheads shall not be an Environmental Defect.

"ENVIRONMENTAL DEFECT VALUE" means the cost to Remediate an Environmental Defect. The Environmental Defect Value shall be limited to the value of the most cost effective means to achieve the Remediation required by applicable federal, state or local law or other governmental or judicial directive and not for any other cost.

"ENVIRONMENTAL LAW" means any statute, rule, regulation, code or order, issued by any federal, state, or local governmental entity in effect on or before the Effective Time (collectively, "LAWS") relating to the protection of the environment or the release or disposal of waste materials.

"REMEDIATION" or "REMEDIATE" means actions taken to correct an Environmental Defect and "REMEDIATION COSTS" means the actual, or good faith estimates of the, costs to conduct such Remediation.

5.2 SPILLS AND NORM. Buyer acknowledges that in the past there may have been spills of wastes, crude oil, condensate, produced water, or other materials (including, without limitation, any toxic, hazardous or extremely hazardous substances) onto or from the Assets or the Lands. In addition, some production equipment may contain asbestos and/or Naturally Occurring Radioactive Material ("NORM"). In this regard Buyer expressly understands that NORM may affix or attach itself to the inside of wells, materials and equipment as scale or in other forms, that said wells, materials and equipment located on the Lands or included in the Assets described herein may contain NORM and that NORM-containing material may have been buried or otherwise disposed of on the Lands. Buyer also expressly understands that special procedures may be required for the remediation, removal, transportation and disposal of asbestos or NORM from the Assets and Lands where such material may be found and that Buyer assumes all liability for or in connection with the assessment, containment, removal, remediation, transportation and disposal of any such materials, in accordance with all past, present and future applicable laws, rules, regulations and other requirements of any governmental or judicial entities having jurisdiction and also with the terms and conditions of all applicable leases and other contracts.

5.3 ENVIRONMENTAL ASSESSMENT. Prior to Closing, Buyer may conduct an on-site inspection, environmental assessment and compliance audit of the Assets (an "ENVIRONMENTAL ASSESSMENT") at Buyer's cost and expense. Such Environmental Assessment shall be conducted in accordance with the Temporary Access Agreement between Buyer and Seller of even date herewith (the "TEMPORARY ACCESS AGREEMENT"). Seller shall provide Buyer with access to the Assets and shall make available to Buyer all present personnel who would reasonably be expected to have knowledge or information regarding the environmental status or condition of the Assets, all in accordance with the Temporary Access Agreement. Buyer shall provide Seller five (5) days prior written notice of any proposed environmental inspections and tests, including the scope of same, and Buyer shall give Seller the opportunity to participate in all such inspections and tests. Buyer shall promptly provide Seller, at no cost to Seller, all reports and other written documentation pertaining to all such environmental inspections and tests, provided that all such reports and documentation shall be deemed to be confidential and subject to the Confidentiality Agreement dated March 20, 2003 between Seller and Buyer and the Temporary Access Agreement. Buyer agrees to release, indemnify, defend, and hold harmless Seller against all Losses (as defined in Section 14.4) arising from or related to the activities of Buyer, its employees, agents, contractors and other representatives in connection with Buyer's Environmental Assessment regardless of the negligence or strict liability of Seller.

5.4 NOTICE OF ENVIRONMENTAL DEFECTS. Buyer shall deliver to Seller a written "NOTICE OF ENVIRONMENTAL DEFECTS" with respect to any Environmental Defect which is a Qualifying Environmental Defect promptly upon learning of same but in any event no later than May 23, 2003, 5:00 p.m., Central Time. The Notice of Environmental Defects shall (i) describe the Environmental Defect, (ii) provide evidence of the Environmental Defect and all documentation in Buyer's possession pertaining to such Environmental Defect and, (iii) describe Buyer's good faith estimate of the Remediation Costs associated with the Environmental Defect.

Buyer will be deemed to have conclusively waived any Environmental Defect for which it fails to provide Seller a Notice of Environmental Defects prior to May 23, 2003 at 5:00 p.m., Central Time. Seller may contest the existence and scope of the Environmental Defect or the Environmental Defect Value by so notifying Buyer. The agreement of Seller and Buyer (or, if applicable, the decision of the Environmental Arbiter) as to the Environmental Defect Value shall result in the "ACTUAL ENVIRONMENTAL DEFECT VALUE".

5.5 REMEDIES FOR ENVIRONMENTAL DEFECTS. Upon the receipt by Seller of notice from Buyer pursuant to Section 5.4 of any Environmental Defect, Seller shall have the option, but not the obligation, to attempt to Remediate any Environmental Defect. In the event that any such Environmental Defect has not been Remediated by Seller such that the applicable Asset(s) will not be brought into compliance with the applicable Environmental Laws on or before Closing, Seller shall, at its sole election, elect one of the following by so notifying Buyer not later than two (2) business days prior to Closing (except for any Disputed Environmental Matters which are not resolved by May 30, 2003 which shall be governed by Section 5.7 below):

a. Credit Buyer with the amount of the Actual Environmental Defect Value for a Qualifying Environmental Defect, in which event the parties shall proceed to Closing and the Asset that is subject to such Environmental Defect shall be conveyed by Seller to Buyer subject to such Environmental Defect and Buyer shall pay to Seller the Purchase Price as so adjusted; or

b. Retain the Asset subject to such Environmental Defect and reduce the Purchase Price by an amount equal to the Allocated Value of such Asset, in which event the parties shall proceed to Closing and the Asset that is subject to such Environmental Defect shall be retained by Seller and Buyer shall pay to Seller the Purchase Price as so adjusted.

5.6 ENVIRONMENTAL THRESHOLDS. Seller shall have no obligation and there shall be no reduction to the Purchase Price under Sections 5.5.a or 5.5.b unless Seller's share of the Actual Environmental Defect Value as to any single Environmental Defect incident would exceed Ten Thousand Dollars ($10,000) (a "QUALIFYING ENVIRONMENTAL DEFECT"). For the purposes of application of the foregoing threshold, "single Environmental Defect incident" shall be an Environmental Defect applicable on a well by well or property by property basis. In addition, there shall be no reduction to the Purchase Price under Sections 5.5.a or 5.5.b until such time as Seller's share of the total of these amounts for Qualifying Environmental Defects exceeds one percent (1%) of the Purchase Price (the "ENVIRONMENTAL THRESHOLD AMOUNT") , and, in such event, the Purchase Price reductions shall exclude the Environmental Threshold Amount. The amount by which the total Purchase Price reductions under Sections 5.5.a and 5.5.b exceed the Environmental Threshold Amount is the "ENVIRONMENTAL PURCHASE PRICE ADJUSTMENT."

5.7 ENVIRONMENTAL DISPUTE RESOLUTION. (a) The parties agree to resolve disputes concerning the following matters pursuant to this Section: (i) the existence and scope of an Environmental Defect, (ii) the Environmental Defect Value of an Environmental Defect and Seller's share of same and (iii) the effectiveness of Seller's Remediation (the "DISPUTED ENVIRONMENTAL MATTERS"). The parties agree to attempt to initially resolve all Disputed Environmental Matters through good faith negotiations. If the parties cannot resolve such disputes by May 30, 2003, the Disputed Environmental Matters shall be finally determined pursuant to Section 5.7(b) by a mutually agreeable environmental consulting firm(s) (the

"ENVIRONMENTAL ARBITER"), taking into account the factors set forth in this Agreement. The Closing shall not be delayed due to such unresolved Disputed Environmental Matters and the Assets subject to such unresolved Disputed Environmental Matters shall be assigned and transferred to Buyer at Closing without any reduction to the Purchase Price.

(b) For any Disputed Environmental Matters not resolved by May 30, 2003, Buyer and Seller shall, on or before June 11, 2003, present their respective positions in writing to the Environmental Arbiter, together with such evidence as each party deems appropriate. The Environmental Arbiter, shall be instructed to resolve the dispute through a final decision by June 30, 2003. The costs incurred in employing the Environmental Arbiter shall be borne equally by Seller and Buyer. The Environmental Arbiter's final decision shall be binding upon the parties. Within five (5) business days following Seller's receipt of the Environmental Arbiter's final written decision, Seller shall, subject to Section 5.7(c) and at its sole election, elect one of the following with respect to the Asset that is the subject of such decision of the Environmental Arbiter by so notifying Buyer:

(i.) Pay to Buyer, within three (3) days of such election, the amount of Seller's share of the Actual Environmental Defect Value determined in the Environmental Arbiter's decision for the Qualifying Environmental Defect which was the subject of such decision, in which event Seller shall have no further obligation or liability relating to such Qualifying Environmental Defect or

(ii.) Have Buyer reconvey to Seller the interest in the Asset acquired by Buyer (including a special warranty from Buyer) to which the Qualifying Environmental Defect pertains which was the subject of the Environmental Arbiter's decision and concurrent with such reconveyance Seller shall pay to Buyer the Allocated Value of such Asset. Such reconveyance shall occur within three (3) days of Buyer's receipt of Seller's election notice, but shall be effective as of the Effective Time.

(c) Notwithstanding the other provisions of this Section 5.7, Seller shall not be obligated to elect either of the remedies set forth in Section 5.7(b) above for any Disputed Environmental Matter unless the Environmental Arbiter finds such Disputed Environmental Matter to be a Qualifying Environmental Defect, and then only to the extent the sum of Seller's share of all Actual Environmental Defect Values of all Qualifying Environmental Defects established before and after Closing exceeds the Environmental Threshold Amount. If the sum of Seller's share of all Actual Environmental Defect Values of all Qualifying Environmental Defects does not exceed the Environmental Threshold Amount, then Buyer shall retain the interests in the Assets subject to all Environmental Defects and Seller shall have no further obligation or liability relating to any Environmental Defects. If the sum of Seller's share of all Actual Environmental Defect Values of all Qualifying Environmental Defects exceeds the Environmental Threshold Amount, then (i) Seller shall only be obligated to elect the remedies set forth in Section 5.7(b) for that portion of such sum of Seller's share of all Actual Environmental Defect Values in excess of the Environmental Threshold Amount and (ii) Buyer shall retain the interests in the Assets subject to all Qualifying Environmental Defects the sum of Seller's share of the Actual Environmental Defect Values of which is less than or equal to the Environmental Threshold Amount and Seller shall have no further obligation or liability relating to all such Qualifying Environmental Defects.

5.8 "AS IS, WHERE IS" PURCHASE. Buyer shall acquire the Assets (including Assets for which a notice was given under Section 5.4 above) in an "AS IS, WHERE IS" condition and shall assume all risks that the Assets may contain waste materials (whether toxic, hazardous, extremely hazardous or otherwise) or other adverse physical conditions, including, but not limited to, the presence of unknown abandoned oil and gas wells, water wells, sumps, pits, pipelines or other waste or spill sites which may not have been revealed by Buyer's investigation. On and after the Effective Time, all responsibility and liability related to all such conditions, whether known or unknown, fixed or contingent, will be transferred from Seller to Buyer.

5.9 DISPOSAL OF MATERIALS, SUBSTANCES AND WASTES. Buyer shall properly handle, remove, transport and dispose of any material, substance or waste (whether toxic, hazardous, extremely hazardous or otherwise) from the Assets or Lands (including, but not limited to, produced water, drilling fluids and other associated wastes), whether present before or after the Effective Time, in accordance with applicable local, state and federal laws and regulations. Buyer shall keep records of the types, amounts and location of materials, substances and wastes which are transported, handled, discharged, released or disposed onsite and offsite. When and if any Lease is terminated, Buyer shall take whatever additional testing, assessment, closure, reporting or remedial action with respect to the Assets or Lands as is necessary to meet any local, state, federal or tribal requirements directed at protecting human health or the environment in effect at that time.

5.10 BUYER'S INDEMNITY.

a. Upon Closing, Buyer shall indemnify, hold harmless, release and defend Seller from and against all damages, losses, claims, demands, causes of action, judgments and other costs (including but not limited to any civil fines, penalties, costs of assessment, clean-up, removal and remediation of pollution or contamination, and expenses for the modification, repair or replacement of facilities on the Lands) brought by any and all persons and any agency or other body of federal, state, local, or tribal government, on account of any personal injury, illness or death, any damage to, destruction or loss of property, and any contamination or pollution of natural resources (including soil, air, surface water or groundwater) to the extent any of the foregoing directly or indirectly is caused by or otherwise involves any environmental condition of the Assets or Lands, whether created or existing before, on or after the Effective Time, including, but not limited to, the presence, disposal or release of any material (whether hazardous, extremely hazardous, toxic or otherwise) of any kind in, on, under or from the Assets or the Lands.

b. Buyer's indemnification obligations shall extend to and include, but not be limited to (i) the negligence or other fault of Seller, Buyer and third parties, whether such negligence is active or passive, gross, joint, sole or concurrent, (ii) Seller's or Buyer's strict liability, and (iii) Seller's or Buyer's liabilities or obligations under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.), the Clean Water Act (33 U.S.C. Sections 466 et seq.), the Safe Drinking Water Act (14 U.S.C. Sections 1401-1450), the Hazardous Materials Transportation Act (49 U.S.C. Sections. 1801 et seq.), the Toxic Substances Control Act (15 U.S.C. Sections 2601-2629), the Clean Air Act (42 U.S.C. Section 7401 et seq.)

as amended, the Clean Air Act Amendments of 1990 and all state and local laws and any replacement or successor legislation or regulation thereto. This indemnification shall be in addition to any other indemnity provisions contained in this Agreement, and it is expressly understood and agreed that any terms of this Section shall control over any conflicting or contradicting terms or provisions contained in this Agreement.

ARTICLE 6
SELLER'S REPRESENTATIONS AND WARRANTIES

Seller makes the following representations and warranties as of the date of this Agreement:

6.1 EXISTENCE. Seller is a corporation duly organized and validly existing under the laws of the State of Delaware.

6.2 POWER. Seller has all requisite corporate power and authority to carry on its business as presently conducted, to enter into this Agreement and each of the documents contemplated to be executed by Seller at Closing, and to perform its obligations under this Agreement and under such documents. To Seller's knowledge (except for any consents which are the subject of Section 4.10 or which are customarily obtained after Closing), the consummation of the transaction contemplated by this Agreement and each of the documents contemplated to be executed by Seller at Closing will not violate, nor be in conflict with, (i) any provision of Seller's organizational or governing documents, (ii) any agreement or instrument to which Seller is a party or is bound, or (iii) any judgment, decree, order, statute, rule or regulation applicable to Seller.

6.3 AUTHORIZATION. The execution, delivery and performance of this Agreement and each of the documents contemplated to be executed by Seller at Closing and the contemplated transaction has been duly and validly authorized by approval of Seller's Board of Directors, and any other requisite corporate and shareholder action on the part of Seller.

6.4 EXECUTION AND DELIVERY. This Agreement has been duly executed and delivered on behalf of Seller, and at the Closing all documents and instruments required hereunder to be executed and delivered by Seller will be duly executed and delivered. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Seller enforceable in accordance with their terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with respect to creditors, (ii) general principles of equity and (iii) the power of a court to deny enforcement of remedies generally based upon public policy.

6.5 LIABILITIES FOR BROKERS' FEES. Seller has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transaction contemplated by this Agreement for which Buyer shall have any responsibility whatsoever.

6.6 LITIGATION. To Seller's knowledge, except as set forth on Schedule 6.6, (i) there is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency

or governmental body pending or, to Seller's knowledge, threatened, against Seller before any governmental authority that impedes or is likely to impede Seller's ability to consummate the transaction contemplated by this Agreement and to assume the liabilities to be assumed by Seller under this Agreement, and (ii) there is no litigation pending to which Seller is a party involving the Assets. .

6.7 LIENS. To Seller's knowledge, except as set forth on Schedule 6.7 and except for Permitted Encumbrances, the Assets are free and clear of all liens.

6.8 TAXES. To Seller's knowledge, all taxes and assessments pertaining to the Assets based on or measured by the ownership of property for all taxable periods prior to the taxable period in which this Agreement is executed have been properly paid. All income taxes and obligations relating thereto that could result in a lien or other claim against any of the Assets have been properly paid, unless contested in good-faith by appropriate proceeding.

6.9 PLAINS PETROLEUM GATHERING COMPANY. Plains Petroleum Gathering Company is a corporation duly organized and validly existing under the Laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as presently conducted. Seller is beneficial and legal owner of the Shares. Upon transfer of the Shares to Buyer at the Closing, Buyer will own the Shares free and clear of any liens or encumbrances, except for (i) any lien or encumbrance created by or through Buyer, (ii) the provisions of Plains Petroleum's Articles of Incorporation and By-Laws and (iii) any restriction on transferability of the Shares arising under applicable securities Laws.

6.10 ASSETS OF PLAINS PETROLEUM GATHERING COMPANY. To Seller's knowledge, except as set forth on Schedule 6.10 and except for Permitted Encumbrances, the assets and equipment of Plains Petroleum Gathering Company are free and clear of any liens, taxes, encumbrances, mortgages or claims of any third party or governmental authorities.

6.11 ENVIRONMENTAL ORDERS. To Seller's knowledge, except as set forth on Schedule 6.11, there are no written orders, decrees or judgments issued by governmental authorities against Seller, or written agreements between Seller and any governmental authorities, with respect to the Assets regarding previous violations of Environmental Law which (i) specifically relate to the future use of the Assets, or (ii) specifically require any remediation activities with respect to the Assets other than such orders, decrees or judgments that relate to the oil and gas business in general.

6.12 LEASES. To Seller's knowledge, except as set forth on Schedule 6.12, Seller has not received written notice of any material default or claimed material default under the terms and provisions of any of the Leases or the Material Agreements, that could reasonably result in termination or cancellation of any of the Leases or the Material Agreements.

ARTICLE 7
BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer makes the following representations and warranties as of the date of this Agreement:

7.1 EXISTENCE. Buyer is a corporation, duly organized, validly existing and formed under the laws of the State of Delaware, and Buyer is duly qualified and in good standing in the States of Kansas, Colorado and New Mexico.

7.2 POWER AND AUTHORITY. Buyer has all requisite corporate power and authority to carry on its business as presently conducted, to enter into this Agreement and each of the documents contemplated to be executed by Buyer at Closing, and to perform its obligations under this Agreement and under such documents. The consummation of the transaction contemplated by this Agreement and each of the documents contemplated to be executed by Buyer at Closing will not violate, nor be in conflict with, (i) any provision of Buyer's organizational or governing documents, (ii) any agreement or instrument to which Buyer is a party or is bound, or (iii) any judgment, decree, order, statute, rule or regulation applicable to Buyer.

7.3 AUTHORIZATION. The execution, delivery and performance of this Agreement and each of the documents contemplated to be executed by Buyer at Closing and the contemplated transaction has been duly and validly authorized by approval of Buyer's Board of Directors and any other requisite action on the part of Buyer.

7.4 EXECUTION AND DELIVERY. This Agreement has been duly executed and delivered on behalf of Buyer, and at the Closing all documents and instruments required hereunder to be executed and delivered by Buyer will be duly executed and delivered. This Agreement does, and such documents and instruments shall, constitute legal, valid and binding obligations of Buyer enforceable in accordance with their terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with respect to creditors, (ii) general principles of equity and (iii) the power of a court to deny enforcement of remedies generally based upon public policy.

7.5 LIABILITIES FOR BROKERS' FEES. Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transaction contemplated by this Agreement for which Seller shall have any responsibility whatsoever.

7.6 LITIGATION. There is no action, suit, proceeding, claim or investigation by any person, entity, administrative agency or governmental body pending or, to Buyer's knowledge, threatened in writing, against Buyer before any governmental authority that impedes or is likely to impede Buyer's ability to consummate the transactions contemplated by this Agreement and to assume the liabilities to be assumed by Buyer under this Agreement.

7.7 INDEPENDENT EVALUATION. Buyer is an experienced and knowledgeable investor in the oil and gas business. Buyer has been advised by and has relied solely upon its own expertise and its own legal, tax, reservoir engineering and other professional counsel, concerning this transaction, the Assets and the value thereof.

7.8 QUALIFICATION. Buyer is now or at Closing will be and thereafter will continue to be qualified to own and operate the Assets (including any oil and gas lease that constitutes part of the Assets), including meeting all bonding requirements.

7.9 FUNDS. Buyer has commenced making arrangements to have available by the Closing Date, and will by the Closing Date have available sufficient funds to enable Buyer to pay in full the Purchase Price and otherwise perform its obligations under this Agreement.

ARTICLE 8
COVENANTS AND AGREEMENTS

8.1 COVENANTS AND AGREEMENTS. As to the period of time from the execution hereof until Closing, Seller and Buyer agree as follows:

a. Operation Prior to Closing. Except as otherwise consented to in writing by Buyer or provided in this Agreement, from the date of execution hereof to the Closing, Seller shall maintain and operate the Assets in a good and workmanlike manner in accordance with Seller's past practices. Subject to the provisions of Section 2.3, Seller shall pay or cause to be paid its proportionate share of all costs and expenses incurred in connection with such operations. To the extent Seller receives written AFEs or actual notice of such, Seller shall notify Buyer of ongoing activities and major capital expenditures in excess of $25,000 per activity net to Seller's interest conducted on the Assets and shall consult with Buyer regarding all such matters and operations.

b. Restriction on Operations. Subject to Section 8.1.a., unless Seller obtains the prior written consent of Buyer to act otherwise, Seller will use good-faith efforts within the constraints of the applicable operating agreements and other applicable agreements not to (i) abandon any part of the Assets (except in the ordinary course of business or the abandonment of leases upon the expiration of their respective primary terms or if not capable of production in paying quantities), (ii) except for capital projects which are deemed to be approved, approve any operations on the Assets anticipated in any instance to cost the owner of the Assets more than $25,000 per activity net to Seller's interest (excepting emergency operations, operations required under presently existing contractual obligations, ongoing commitments under existing AFEs and operations undertaken to avoid a monetary penalty or forfeiture provision of any applicable agreement or order), (iii) convey or dispose of any part of the Assets (other than replacement of equipment or sale of oil, gas, and other liquid products produced from the Assets in the regular course of business) or enter into any farmout, farmin or other similar contract affecting the Assets (iv) let lapse any insurance now in force with respect to the Assets, or (v) materially modify or terminate any contract included in the Assets.

c. Legal Status. Seller and Buyer shall use all reasonable efforts to maintain their respective legal statuses from the date hereof until the Final Settlement Date and to assure that as of the Closing Date they will not be under any material corporate, legal or contractual restriction that would prohibit or delay the timely consummation of the transaction contemplated hereby.

d. Notices of Claims. Seller shall promptly notify Buyer and Buyer shall promptly notify Seller, if, between the date hereof and the Closing Date, Seller or Buyer, as the case may be, receives notice of any claim, suit, action or other proceeding of the type referred to in Sections 6.6 and 7.6.

e. Compliance with Laws. During the period from the date of this Agreement to the Closing Date, Seller shall attempt in good faith to comply in all material respects with all applicable statutes, ordinances, rules, regulations and orders relating to the ownership and operation of the Assets.

f. Government Reviews and Filings. Before and after the Closing, Buyer and Seller shall cooperate to provide requested information, make required filings with, prepare applications to and conduct negotiations with each governmental agency as required to consummate the transaction contemplated hereby. Each party shall make any governmental filings occasioned by its ownership or structure. Buyer shall make all filings after the Closing at its expense with governmental agencies necessary to transfer title to the Assets or to comply with laws and shall indemnify and hold harmless Seller from and against all claims, costs, expenses, liabilities and actions arising out of Buyer's holding of such title after the Closing and prior to the securing of any necessary governmental approvals of the transfer.

g. Confidentiality. Confidentiality is governed by the terms of the Confidentiality Agreement dated March 20, 2003 between Seller and Buyer and Section 15.6 of this Agreement. The terms of the Confidentiality Agreement dated March 20, 2003 between Seller and Buyer shall survive termination of this Agreement pursuant to Article 10 for the term set forth in the Confidentiality Agreement.

h. Supplementing Schedules. Seller may, from time to time, by written notice to Buyer at any time prior to the Closing Date, supplement or amend the Schedules to this Agreement to correct any matter that would constitute a breach of any representation or warranty of Seller contained herein, but only to the extent that the matter which is the subject of such supplement or amendment is included in the Retained Liabilities (as defined in Section 14.2).

ARTICLE 9
CONDITIONS TO CLOSING

9.1 SELLER'S CONDITIONS. The obligations of Seller at the Closing are subject, at the option of Seller, to the satisfaction at or prior to Closing of the following conditions precedent:

a. Representations, Warranties and Covenants. All representations and warranties of Buyer contained in Article 7 of this Agreement shall be true and correct in all material respects on and as of the Closing, and Buyer shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Buyer at or prior to the Closing in all material respects; provided, however, if all conditions to Seller's obligation to close the transaction contemplated hereunder have been satisfied except for the conditions set forth in this Section 9.1.a., Seller shall be obligated to close the transaction contemplated hereunder unless the total of (i) all expected Losses to Seller due to breaches of such representations and warranties of Buyer, (ii) all expected Losses to Seller due to nonperformance and failure to satisfy such covenants and agreements by Buyer and (iii) the Title Purchase Price Adjustment and the Environmental Purchase Price Adjustment collectively exceed ten percent (10%) of the Purchase Price.

b. Closing Documents. Buyer shall have executed and delivered the documents which are contemplated to be executed and delivered by it pursuant to Article 11 of this Agreement prior to or on the Closing Date.

c. No Action. No order shall have been entered by any court or governmental agency having jurisdiction over the parties or the subject matter of this Agreement that restrains or prohibits the purchase and sale contemplated by this Agreement and which remains in effect at the time of Closing or seeks to recover damages from Seller resulting therefrom.

9.2 BUYER'S CONDITIONS. The obligations of Buyer at the Closing are subject, at the option of Buyer, to the satisfaction on or prior to the Closing of the following conditions precedent:

a. Representations, Warranties and Covenants. The representations and warranties of Seller contained in Article 6 of this Agreement shall be true and correct in all material respects on and as of the Closing Date, and Seller shall have performed and satisfied all covenants and agreements required by this Agreement to be performed and satisfied by Seller at or prior to the Closing in all material respects; provided, however, if all conditions to Buyer's obligation to close the transaction contemplated hereunder have been satisfied except for the conditions set forth in this Section 9.2.a., Buyer shall be obligated to close the transaction contemplated hereunder unless the total of (i) all expected Losses to Buyer due to breaches of representations and warranties of Seller, (ii) all expected Losses to Buyer due to nonperformance and failure to satisfy such covenants and agreements by Seller and (iii) the Title Purchase Price Adjustment and the Environmental Purchase Price Adjustment collectively exceed ten percent (10%) of the Purchase Price;

b. Closing Documents. Seller shall have executed and delivered the documents which are contemplated to be executed and delivered by it pursuant to Article 11 of this Agreement prior to or on the Closing Date;

c. No Action. No order shall have been entered by any court or governmental agency having jurisdiction over the parties or the subject matter of this Agreement that restrains or prohibits the purchase and sale contemplated by this Agreement and which remains in effect at the time of Closing or seeks to recover damages from Buyer resulting therefrom.

9.3 ESCROW ACCOUNT. If Closing would not occur, but for the language commencing with the phrase "provided, however," at the end of Section 9.2.a., then a portion of the Purchase Price equal to the expected Losses to Buyer due to (i) the breaches of representations and warranties of Seller contained in Article 6 of this Agreement and (ii) nonperformance and failure to satisfy the covenants and agreements of Seller specified in Section 9.2.a. above, shall be placed into an interest bearing escrow account at Closing with a mutually agreeable, nationally recognized and financially sound banking institution until the issue of any such breaches, nonperformance or failure to satisfy are finally resolved (provided if there is more than one such claimed breach, nonperformance or failure to satisfy, the amount in escrow for each such breach, nonperformance or failure to satisfy (together with interest earned under such escrow) shall be released from escrow to the party entitled thereto upon the final resolution of such breach, nonperformance or failure to satisfy).

ARTICLE 10
RIGHT OF TERMINATION AND ABANDONMENT

10.1 TERMINATION. This Agreement may be terminated in accordance with the following provisions:

a. by Seller if the conditions set forth in Section 9.1 are not satisfied, through no fault of Seller, or waived by Seller in writing, as of the Closing Date and Seller is not obligated to close the transaction contemplated hereunder as set forth in Section 9.1.a.; or

b. by Buyer if the conditions set forth in Section 9.2 are not satisfied, through no fault of Buyer, or waived by Buyer in writing, as of the Closing Date and Buyer is not obligated to close the transaction contemplated hereunder as set forth in Section 9.2.a.

c. by Seller or Buyer if the aggregate of the Title Purchase Price Adjustment and the Environmental Purchase Price Adjustment exceeds ten 10% of the Purchase Price.

10.2 LIABILITIES UPON TERMINATION.

a. Buyer's Default. If the transactions contemplated by this Agreement are not consummated on or before the date specified in Section 11.1 by reason of Buyer's wrongful failure to tender performance at Closing, and if Seller is not in material default under the terms of this Agreement and is ready, willing and able to Close, Seller shall be entitled, at Seller's election, to (i) enforce specific performance of this Agreement or (ii) terminate this Agreement and retain the Deposit, and any accrued interest.

b. Seller's Default. If the transactions contemplated by this Agreement are not consummated on or before the date specified in Section 11.1 by reason of Seller's wrongful failure to tender performance at Closing and if Buyer is not in material default under this Agreement and is ready, willing and able to Close, Buyer shall be entitled to either (i) terminate this Agreement and receive a prompt refund from Seller of the Deposit (without interest); or (ii) enforce specific performance of this Agreement.

c. Other Termination. If Seller and Buyer agree to terminate this Agreement, each party shall release the other party from any and all liability for termination of this Agreement, and Seller shall refund the Deposit without interest.

ARTICLE 11
CLOSING

11.1 DATE OF CLOSING. The closing of the transaction contemplated by this Agreement ("CLOSING" or "CLOSING DATE") shall be held on or before June 6, 2003 at Seller's office in Tulsa, Oklahoma , at 8:30 a.m. or at such other time and place as the parties may agree in writing.

11.2 CLOSING OBLIGATIONS. At Closing, the following events shall occur, each being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

a. Assignment. Seller and Buyer shall execute, acknowledge and deliver to Buyer an Assignment and Bill of Sale of the Assets effective as of the Effective Time (in sufficient counterparts to facilitate filing and recording) (i) substantially in the form of Exhibit E with no warranty of title other than a special warranty of title, by, through and under Seller with respect to the period from the Effective Time through the Closing, and with no warranties, express or implied, as to the personal property, fixtures or condition of the Assets which are conveyed "as is, where is;" (ii) such other assignments, bills of sale, or deeds necessary to transfer the Assets to Buyer, including without limitation any conveyances on official forms and related documentation necessary to transfer the Assets to Buyer in accordance with requirements of state and federal governmental regulations; and (iii) an Assignment and Assumption Agreement in the form of Exhibit F under which Seller assigns various contractual interests included in the Assets and under which Buyer assumes the obligations thereunder in accordance with the terms of this Agreement.

b. Release of Lehman Mortgage. Seller shall deliver to Buyer a recordable release by Lehman Commercial Paper, Inc., as Administrative Agent, of Mortgage, Deed of Trust, Security Agreement, Assignment of Production and Financing Statement from Williams Production RMT Company to Lehman Commercial Paper, Inc., as Administrative Agent, dated July 30, 2002, as supplemented or amended, with respect to the Assets.

c. Preliminary Settlement Statement. Seller shall deliver to Buyer, and Seller and Buyer shall execute, the Preliminary Settlement Statement.

d. Purchase Price. Buyer shall deliver to Seller the Closing Amount by wire transfer of immediately available funds.

e. Letters in Lieu, etc. Seller and Buyer shall execute and deliver all necessary letters in lieu of transfer orders directing all purchasers of production to pay Buyer the proceeds attributable to production from the Assets from and after May 31, 2003. Likewise, Seller shall execute and deliver to Buyer letters to the operators of the Assets, notifying of the change of ownership, as well as all required change of operator forms (on those properties operated by Seller) to be filed with any governmental agencies having authority over the Assets; provided, however, Seller makes no representation or guaranty that Buyer shall be able to retain operator status on any of the properties included in the Assets which are operated by Seller.

f. Seller's Officer's Certificate. Seller shall execute and deliver to Buyer an officer's certificate in form and substance similar to EXHIBIT G, stating that all conditions precedent to Closing have been satisfied.

g. Buyer's Officer's Certificate. Buyer shall execute and deliver to Seller an officer's certificate in form and substance similar to EXHIBIT H, stating that all conditions precedent to Closing have been satisfied.

h. Bonds. Buyer shall deliver to Seller proof that it has posted and/or obtained all necessary surety and bonds with respect to the Assets.

i. Seller and Buyer shall executed a Transition Services Agreement in the form of EXHIBIT L.

ARTICLE 12
POST-CLOSING OBLIGATIONS

12.1 POST-CLOSING ADJUSTMENTS. As soon as practicable after the Closing, but on or before one hundred twenty (120) days after Closing, Seller, with the assistance of Buyer's staff and with access to such records as necessary, shall prepare and deliver to Buyer a final settlement statement (the "FINAL SETTLEMENT STATEMENT") setting forth each adjustment or payment hereunder that was not finally determined as of the Closing and showing the calculation of such adjustment and the resulting final purchase price (the "FINAL PURCHASE PRICE"). As soon as practicable after receipt of Seller's proposed Final Settlement Statement, but on or before sixty (60) days after receipt of Seller's proposed Final Settlement Statement, Buyer shall deliver to Seller a written report containing any changes that Buyer proposes to make to the Final Settlement Statement. Buyer's failure to deliver to Seller a written report detailing changes to the proposed Final Settlement Statement by that date shall be deemed an acceptance by Buyer of the Final Settlement Statement as submitted by Seller. The parties shall endeavor to agree with respect to the changes proposed by Buyer, if any, no later than thirty (30) days after receipt by Seller of Buyer's comments to the proposed Final Settlement Statement. The date upon which such agreement is reached or upon which the Final Purchase Price is established shall be called the "FINAL SETTLEMENT DATE." If the Final Purchase Price is more than the Closing Amount, Buyer shall pay Seller the amount of such difference. If the Final Purchase Price is less than the Closing Amount, Seller shall pay to Buyer the amount of such difference. Any payment by Buyer or Seller shall be by wire transfer in immediately available funds. Any such payment shall be made within five (5) days of the Final Settlement Date.

12.2 DISPUTE RESOLUTION. If the parties are unable to resolve disputes concerning the Final Settlement Statement or Final Purchase Price on or before thirty (30) days after the Final Settlement Statement is received by Buyer, such disputes shall be resolved in accordance with Section 14.5.d.

12.3 RECORDS. Seller shall make the Records available for pick up by Buyer at a mutually agreeable time. Seller may retain copies of the Records; provided however Seller shall retain originals of the Records relating to the Assets located in San Juan and Rio Arriba Counties, New Mexico and La Plata County, Colorado. Buyer shall make the Records available to Seller for review and copying during normal business hours. Buyer agrees not to destroy or otherwise dispose of the Records for a period of six (6) years after the Closing without giving Seller reasonable notice and an opportunity to copy the Records.

12.4 SELLER'S EMPLOYEES. For all of Seller's employees hired by Buyer in connection with Buyer's acquisition, ownership and operation of the Assets, if Buyer terminates any such employee(s) within two (2) years of Closing under circumstances that would have entitled such employee(s) to a severance benefit under Seller's employee severance policy in effect for such employee(s) on the Effective Date (a copy of which is attached as Exhibit J to this Agreement), Buyer shall pay such employee(s) severance based on such Seller's employee severance policy

based upon years of experience with Seller (and its Affiliates) and Buyer. However, in no event shall Buyer's termination of any employee for cause create any obligation under this provision.

12.5 FURTHER ASSURANCES. From time to time after Closing, Seller and Buyer shall each execute, acknowledge and deliver to the other such further instruments and take such other action as may be reasonably requested in order more effectively to assure to the other the full beneficial use and enjoyment of the Assets in accordance with the provisions of this Agreement and otherwise to accomplish the purposes of the transaction contemplated by this Agreement.

12.6 DISCLAIMERS OF REPRESENTATIONS AND WARRANTIES. The express representations and warranties of Seller contained in this Agreement are exclusive and are in lieu of all other representations and warranties, express, implied or statutory. BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO (A) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, (GAS BALANCING INFORMATION (PROVIDED, THAT THE PURCHASE PRICE SHALL BE ADJUSTED FOR GAS IMBALANCES AS SET FORTH IN SECTION 2.3.A.(VI) AND B.(V)) OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE ASSETS, (B) THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER, (C) EXCEPT AS SET FORTH IN SECTION 6.11, THE ENVIRONMENTAL CONDITION OF THE ASSETS, THEIR COMPLIANCE WITH ENVIRONMENTAL LAWS, AND THE PRESENCE OR ABSENCE OF HAZARDOUS SUBSTANCES OR NATURALLY OCCURRING RADIOACTIVE MATERIALS, (D) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (E) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (F) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (G) ANY RIGHTS OF PURCHASERS UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, (H) ANY CLAIMS BY BUYER FOR DAMAGES BECAUSE OF DEFECTS, WHETHER KNOWN OR UNKNOWN AS OF THE EFFECTIVE TIME OR THE CLOSING DATE, AND (I) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW, IT BEING THE EXPRESS INTENTION OF BOTH BUYER AND SELLER THAT THE ASSETS WILL BE CONVEYED TO BUYER IN THEIR PRESENT CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS AND THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE. THE PARTIES AGREE THAT THIS SECTION 12.6 CONSTITUTES A CONSPICUOUS LEGEND.

12.7 SUSPENSE FUNDS. The Purchase Price shall be adjusted downward by an amount equal to the amount of the Suspense Funds held by Seller, being those funds which Seller is holding as of the Closing Date which are owing to third party owners of royalty, overriding royalty, working or other interests in respect of past production of oil, gas or other hydrocarbons attributable to the Assets. Seller covenants to deliver to Buyer, within thirty (30) days after

Closing, in a mutually agreeable electronic format, the following information with respect to such Suspense Funds: owner name, owner number, owner social security number (if known to Seller), reason for suspense, and the amount of suspense funds payable for each entry, together with monthly line item production detail for all suspense entries. Upon receipt of such information, Buyer (i) shall administer all such accounts and assume all payment obligations relating to the Suspense Funds in accordance with all applicable laws, rules and regulations, and shall be liable for the payment thereof to the proper parties and (ii) indemnify and hold Seller harmless from Buyer's failure to comply with Buyer's obligations under the preceding item (i); provided that, Seller will retain all responsibility and liability for (x) statutory penalties and interest, if any, owing to any interest owner attributable to the Suspense Funds accruing prior to the Effective Time and (y) penalties and interest, if any, attributable to the Suspense Funds accruing prior to the Effective Time, payable to any state under existing escheat or unclaimed property statutes. In the event any such penalties or interest are due to the respective suspense account owner or any state under such statutes and Seller fails to promptly reimburse such sums to Buyer, upon Buyer's written request for same, then Buyer shall return to Seller the Suspense Funds in such account that existed as of the Effective Time, and Seller shall undertake the final payment and settlement of any such claims and accompanying Suspense Funds. Notwithstanding the foregoing, Seller shall be obligated to reimburse Buyer for any interest or penalties attributable to the Suspense Funds accruing prior to the Effective Time only with respect to written Claims for same asserted by Buyer to Seller (with appropriate documentation supporting the amount of penalties and interest due) not later than three (3) years after the Closing Date.

ARTICLE 13
TAXES

13.1 APPORTIONMENT OF AD VALOREM AND PROPERTY TAXES. All ad valorem taxes, real property taxes, personal property taxes and similar obligations (the "PROPERTY TAXES") attributable to the Assets with respect to the tax period in which the Effective Time occurs shall be apportioned as of the Effective Time between Seller and Buyer. Prior to Closing, Seller shall determine an estimate of the portion of the Property Taxes (based on the latest information then available), for the period in which the Effective Time occurs attributable to the period prior to the Effective Time (the "Seller Property Tax"). Seller shall credit to Buyer, through a downward adjustment to the Purchase Price, the amount of the Seller Property Tax. Buyer shall file or cause to be filed all required reports and returns incident to the Property Taxes and shall pay or cause to be paid to the taxing authorities all Property Taxes relating to the tax period in which the Effective Time occurs. If the Property Taxes used in determining the Seller Property Tax are not the actual Property Taxes for the tax period in which the Effective Time occurs, then upon the determination of the actual Property Taxes for such period, the Seller Property Tax shall be recalculated based upon such actual Property Taxes (the "Revised Seller Property Tax") and (i) if the Revised Seller Property Tax is greater than the Seller Property Tax, Seller shall promptly pay Buyer the difference between such amounts or (ii) if the Revised Seller Property Tax is less than the Seller Property Tax, Buyer shall promptly pay Seller the difference between such amounts.

13.2 TRANSFER TAXES AND RECORDING FEES. The Purchase Price excludes, and Buyer shall be liable for, any Transfer Taxes (as defined below) required to be paid in connection with the sale or transfer of the Assets pursuant to this Agreement. "TRANSFER Taxes" mean any sales,

use, stock, stamp, documentary, transfer, filing, licensing, processing, recording authorization and similar taxes, fees and charges.

13.3 OTHER TAXES. All severance, production, excise and conservation taxes shall be apportioned between the Seller and Buyer as of the Effective Time. All such taxes that have accrued with respect to the period prior to the Effective Time have been or will be properly paid or withheld by Seller, and all statements, returns, and documents pertinent thereto have been or will be properly filed. Buyer shall be responsible for paying or withholding or causing to be paid or withheld all such taxes that accrue after the Effective Time and for filing all statements, returns, and documents incident thereto.

13.4 TAX REPORTS AND RETURNS. For tax periods in which the Effective Time occurs, Seller agrees to immediately forward to Buyer copies of any tax reports and returns received by Seller after Closing and provide Buyer with any information Seller has that is necessary for Buyer to file any required tax reports and returns related to the Assets. Buyer agrees to file all tax returns and reports applicable to the Assets that Buyer is required to file after the Closing.

ARTICLE 14
ASSUMPTION AND RETENTION OF OBLIGATIONS; INDEMNIFICATION

14.1 BUYER'S ASSUMPTION OF LIABILITIES AND OBLIGATIONS. Upon Closing, Buyer shall assume and pay, perform, fulfill and discharge all claims, costs, expenses, liabilities and obligations ("OBLIGATIONS") accruing or relating to (i) the owning, developing, exploring, operating or maintaining of the Assets or the producing, transporting and marketing of Hydrocarbons from the Assets from and after the Effective Time, including, without limitation, the payment of Property Expenses, the obligation to plug and abandon all wells located on the Lands and reclaim all well sites located on the Lands regardless of when the plugging, abandonment and reclamation obligations arose, the make-up and balancing obligations for overproduction of gas from the Wells, all liability for royalty and overriding royalty payments made and Taxes paid with respect to the Assets, (ii) the environmental condition of the Assets and (iii) all Obligations accruing or relating to the ownership or operation of the Assets before the Effective Time for which Seller is not liable pursuant to the provisions of Section 14.2 (collectively, the "ASSUMED LIABILITIES").

14.2 SELLER'S RETENTION OF LIABILITIES AND OBLIGATIONS. Upon Closing Seller shall retain and pay (i) all Property Expenses of Seller relating to Seller's ownership and operation of the Assets and the producing, transporting and marketing of Hydrocarbons from the Assets by Seller prior to the Effective Time, and (ii) all liability for taxes paid by Seller prior to the Effective Time with respect to the Assets, (iii) all liability for non-affiliate, third party Claims relating solely to Seller's ownership and operations of the Assets and the producing, transporting and marketing of Hydrocarbons from the Assets by Seller prior to the Effective Time, (except for any such liability arising out of or relating to Title Defects and those matters which are the subject of Sections 5.8, 5.10 and 14.3 which shall not be included in this Section 14.2), but with respect to each of (i), (ii) and (iii) above only as to Claims for which Buyer submits a Claim Notice to Seller under Section 14.5.c before three years after the Closing Date; provided, however, there shall be no such three (3) year limitation for third party Claims regarding the

improper calculation or payment of royalties, overriding royalties or net profits interests with respect to the period prior to the Effective Time and pertaining to the Assets (collectively, the "RETAINED LIABILITIES").

14.3 BUYER'S PLUGGING AND ABANDONMENT OBLIGATIONS. In addition to the Assumed Liabilities, upon Closing Buyer assumes full responsibility and liability for the following plugging and abandonment obligations related to the Assets ("BUYER'S PLUGGING AND ABANDONMENT OBLIGATIONS"), regardless of whether they are attributable to the ownership or operation of the Assets before or after the Effective Time. All operations by Buyer under this Section shall be conducted in a good and workmanlike manner and in compliance with all applicable laws and regulations.

a. The necessary and proper plugging, replugging and abandonment of all wells on the Assets;

b. The necessary and proper removal, abandonment and disposal of all structures, pipelines, equipment, abandoned property, trash, refuse and junk located on or comprising part of the Assets;

c. The necessary and proper capping and burying of all associated flow lines located on or comprising part of the Assets;

d. The necessary and proper restoration of the surface and subsurface to the condition required by applicable laws, regulations or contract;

e. All obligations relating to the items described in Section 14.3.a. through Section 14.3.d. arising from contractual requirements and demands made by courts, authorized regulatory bodies or parties claiming a vested interest in the Assets; and

f. Obtaining and maintaining all bonds, or supplemental or additional bonds, that may be required contractually or by governmental authorities.

14.4 INDEMNIFICATION. "LOSSES" shall mean any actual losses, costs, expenses (including court costs, reasonable fees and expenses of attorneys, technical experts and expert witnesses and the costs of investigation), liabilities, damages, demands, suits, claims, and sanctions of every kind and character (including civil fines) arising from, related to or reasonably incident to matters indemnified against; excluding however any special, consequential, punitive or exemplary damages, diminution of value of an Asset, loss of profits incurred by a party hereto or Loss incurred as a result of the indemnified party indemnifying a third party; provided, however, if Seller pursuant to Section 10.2(a), or Buyer pursuant to Section 10.2(b), is entitled to and elects the remedy of enforcing specific performance of this Agreement as set forth in such sections, and despite Seller's or Buyer's, as applicable, good faith efforts to enforce specific performance of this Agreement a court of competent jurisdiction refuses to do so, then in such event, and only in such event, Losses shall also include loss of profits for failure to consummate the transactions contemplated by this Agreement.

After the Closing, Buyer and Seller shall indemnify each other as follows:

a. Seller's Indemnification of Buyer. Seller assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Buyer, its officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) the Retained Liabilities, (ii) any material breach of any representation or warranty made by Seller, (iii) any matter for which Seller has agreed to indemnify Buyer under this Agreement, and (iv) any material breach by Seller of this Agreement.

b. Buyer's Indemnification of Seller. Buyer assumes all risk, liability, obligation and Losses in connection with, and shall defend, indemnify, and save and hold harmless Seller, Seller's officers, directors, employees and agents, from and against all Losses which arise from or in connection with (i) the Assumed Liabilities, (ii) any material breach of any representation or warranty made by Buyer, (iii) any matter for which Buyer has agreed to indemnify Seller under this Agreement, and (iv) any material breach by Buyer of this Agreement.

14.5 PROCEDURE. The indemnifications contained in Section 14.4 shall be implemented as follows:

a. Coverage. Such indemnity shall extend to all Losses suffered or incurred by the Indemnified Party, as defined below.

b. Claim Notice. The party seeking indemnification under the terms of this Agreement ("INDEMNIFIED PARTY") shall submit a written "CLAIM NOTICE" to the other party ("INDEMNIFYING PARTY") which, to be effective, must state: (i) the amount (if known) of each payment claimed by an Indemnified Party to be owing, (ii) the basis for such claim, with supporting documentation, and (iii) a list identifying to the extent reasonably possible each separate item of Loss for which payment is so claimed. The amount claimed shall be paid by the Indemnifying Party to the extent required herein within ten (10) days after receipt of the Claim Notice, or after the amount of such payment has been finally established, whichever last occurs.

c. Information. Within twenty (20) days after the Indemnified Party receives notice of a claim or legal action that may result in a Loss for which indemnification may be sought under this Article 14 ("CLAIM"), the Indemnified Party shall give a Claim Notice to the Indemnifying Party. If the Indemnifying Party or its counsel so requests, the Indemnified Party shall furnish the Indemnifying Party with copies of all pleadings and other information with respect to such Claim. At the election of the Indemnifying Party made within sixty (60) days after receipt of the Claim Notice, the Indemnified Party shall permit the Indemnifying Party to assume control of such Claim (to the extent only that such Claim, legal action or other matter relates to a Loss for which the Indemnifying Party is liable), including the determination of all appropriate actions, the negotiation of settlements on behalf of the Indemnified Party, and the conduct of litigation through attorneys of the Indemnifying Party's choice; provided, however, that no such settlement can result in any liability or cost to the Indemnified Party for which it is entitled to be indemnified hereunder without its consent. If the Indemnifying Party elects to assume control, (i) any expense incurred by the Indemnified Party thereafter for investigation or defense of the matter shall be borne by the Indemnified Party, and (ii) the Indemnified Party shall give all reasonable information and assistance, other than pecuniary, that the Indemnifying Party shall deem necessary to the proper defense of such Claim, legal action, or other matter. In the absence of such an election, the Indemnified Party will use its best efforts to defend, at the

Indemnifying Party's expense, any claim, legal action or other matter to which such other party's indemnification under this Article 14 applies until the Indemnifying Party assumes such defense, and, if the Indemnifying Party fails to assume such defense within the time period provided above, settle the same in the Indemnified Party's reasonable discretion at the Indemnifying Party's expense. If such a Claim requires immediate action, both the Indemnified Party and the Indemnifying Party will cooperate in good faith to take appropriate action so as not to jeopardize defense of such Claim or either party's position with respect to such Claim.

d. Dispute Resolution. If the existence of a valid Claim or amount to be paid by an Indemnifying Party is in dispute, the parties agree to submit determination of the existence of a valid Claim or the amount to be paid pursuant to the Claim Notice to binding arbitration. The arbitration shall be before a three person panel of neutral arbitrators, consisting of one person each to be selected by Seller and Buyer, and the third to be selected by the arbitrators selected by Seller and Buyer. The arbitrators shall conduct a hearing no later than sixty (60) days after submission of the matter to arbitration, and a written decision shall be rendered by the arbitrators within thirty (30) days of the hearing. Any payment due pursuant to the arbitration shall be made within fifteen (15) days of the arbitrators' decision. This Section excludes those matters addressed in Sections 4.8 and 5.7 of this Agreement.

14.6 NO INSURANCE; SUBROGATION. The indemnifications provided in this Article 14 shall not be construed as a form of insurance. Seller and Buyer waive for themselves, their successors or assigns, including without limitation, any insurers, any rights to subrogation for Losses for which each of them is respectively liable or against which each respectively indemnifies the other, and, if required by applicable policies, Seller and Buyer shall obtain waiver of such subrogation from their respective insurers.

14.7 RESERVATION AS TO NON-PARTIES. Nothing in this Agreement is intended to limit or otherwise waive any recourse Seller or Buyer may have against any non-party for any obligations or liabilities that may be incurred with respect to the Assets.

ARTICLE 15
MISCELLANEOUS

15.1 EXHIBITS. The Exhibits referred to in this Agreement are hereby incorporated in this Agreement by reference and constitute a part of this Agreement.

15.2 EXPENSES. Except as otherwise specifically provided herein, all fees, costs and expenses incurred by Seller or Buyer in negotiating this Agreement or in consummating the transaction contemplated by this Agreement shall be paid by the party incurring same, including, without limitation, legal and accounting fees, costs and expenses.

15.3 NOTICES. All notices and communications required or permitted under this Agreement shall be in writing and addressed as follows:

If to Seller: Williams Production RMT Company
One Williams Center, 26th Floor
Tulsa, Oklahoma 74172

Telephone: (918) 573-3866
Facsimile: (918) 573-1324
Attention: Neal Buck

and

Williams Production RMT Company
One Williams Center, MD41-3
Tulsa, Oklahoma 74172
Telephone: (918) 573-4850
Facsimile: (918) 573-4190
Attention: Exploration and Production Legal Counsel

If to Buyer: XTO Energy Inc.
810 Houston Street
Fort Worth, Texas 76102
Telephone: (817) 885-2334
Facsimile: (817) 870-0379
Attention: Vaughn O. Vennerberg, II

and

XTO Energy Inc.
810 Houston Street
Fort Worth, Texas 76102
Telephone: (817) 885-2336
Facsimile: (817) 885-2224
Attention: Win Ryan

Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice (i) if personally delivered, when received, (ii) if faxed, when received if receipt is confirmed by telephone by the sender, (iii) if mailed, certified mail, return receipt requested, on the date set forth on the return receipt or (iv) if sent by overnight courier, one day after sending. Any party may, by written notice so delivered to the other party, change the address or individual to which delivery shall thereafter be made.

15.4 AMENDMENTS. Except for waivers specifically provided for in this Agreement, this Agreement may not be amended nor any rights hereunder waived except by an instrument in writing signed by the party to be charged with such amendment or waiver and delivered by such party to the party claiming the benefit of such amendment or waiver.

15.5 ASSIGNMENT. Neither party shall assign all or any portion of its respective rights or delegate all or any portion of its respective duties or obligations hereunder without the prior written consent of the other party.

15.6 CONFIDENTIALITY. Seller and Buyer agree the provisions of this Agreement shall be kept confidential except as disclosure may be required by applicable law, rules and regulations of governmental agencies or stock exchanges. Buyer shall inform Seller of all such disclosures by Buyer.

15.7 PRESS RELEASES. Seller and Buyer agree that prior to making any press releases or other public announcements concerning this Agreement and the transactions contemplated hereby, the party desiring to make such public announcement shall obtain the consent of the other party with such consent not to be unreasonably withheld. Nothing herein shall preclude Buyer from making such disclosures deemed necessary by Buyer's counsel under any federal securities laws or New York Stock Exchange rule.

15.8 HEADINGS. The headings of the articles and sections of this Agreement are for guidance and convenience of reference only and shall not limit or otherwise affect any of the terms or provisions of this Agreement.

15.9 COUNTERPARTS. This Agreement may be executed by Seller and Buyer in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute one and the same instrument. Execution can be evidenced by fax signatures with original signature pages to follow in due course.

15.10 REFERENCES. References made in this Agreement, including use of a pronoun, shall be deemed to include, where applicable, masculine, feminine, singular or plural, individuals, partnerships or corporations. As used in this Agreement, "person" shall mean any natural person, corporation, partnership, limited liability company, court, agency, government, board, commission, trust, estate or other entity or authority.

15.11 GOVERNING LAW. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Oklahoma without regard to principles of conflicts of law. The validity of the various conveyances affecting the title to real property Assets shall be governed by and construed in accordance with the laws where such real property Assets are located. The parties subject themselves to the sole and exclusive jurisdiction of the Federal or State courts of Tulsa, Oklahoma for resolution of any dispute related to this Agreement.

15.12 REMOVAL OF SIGNS. Buyer shall remove all of Seller's well and lease signs within thirty (30) days of the Closing Date.

15.13 BINDING EFFECT. This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, and their respective successors and assigns.

15.14 SURVIVAL. The following shall survive Closing: (i) all post-closing obligations and indemnities of Seller and Buyer subject to the limitations set forth herein, (ii) Seller's representations and warranties in Article 6 and, (iii) Buyer's representations and warranties in Article 7.

15.15 NO THIRD-PARTY BENEFICIARIES. This Agreement is intended only to benefit the parties hereto and their respective permitted successors and assigns.

15.16 LIMITATION ON DAMAGES. Consistent with Article 14, the parties hereto expressly waive any and all rights to consequential, special, incidental, punitive or exemplary damages, or loss of profits resulting from breach of this Agreement; provided, however, if Seller pursuant to Section 10.2(a), or Buyer pursuant to Section 10.2(b), is entitled to and elects the remedy of enforcing specific performance of this Agreement as set forth in such sections, and despite Seller's or Buyer's, as applicable, good faith efforts to enforce specific performance of this Agreement a court of competent jurisdiction refuses to do so, then in such event, and only in such event, Losses shall also include loss of profits for failure to consummate the transactions contemplated by this Agreement.

15.17 SEVERABILITY. It is the intent of the parties that the provisions contained in this Agreement shall be severable. Should any provisions, in whole or in part, be held invalid as a matter of law, such holding shall not affect the other portions of this Agreement, and such portions that are not invalid shall be given effect without the invalid portion.

15.18 KNOWLEDGE. As used throughout this Agreement, the term "KNOWLEDGE" or "BEST KNOWLEDGE" or "BEST OF SELLER'S KNOWLEDGE," whether or not such term is written in lower or upper case, means the actual knowledge of the officers of Seller, and of the employees of Seller specified on Schedule 15.18.

Executed on the dates set forth in the acknowledgments below.

SELLER:

WILLIAMS PRODUCTION RMT COMPANY

By: /s/_Ralph A. Hill

Ralph A. Hill, Vice President

WILLIAMS PRODUCTION COMPANY, L.L.C.

By: /s/ Ralph A. Hill

Ralph A. Hill, Vice President

BUYER:

XTO ENERGY INC.

By: /s/ Vaughn O. Vennerberg, II

Vaughn O. Vennerberg, II
Executive Vice President - Administration

EXHIBIT 10.3

EXECUTION COPY

THE WILLIAMS COMPANIES, INC.
L/C CREDIT AGREEMENT

CONSENT AND WAIVER
DATED AS OF JANUARY 22, 2003

This CONSENT AND WAIVER, dated as of January 22, 2003, under (a) the Amended and Restated Credit Agreement dated as of October 31, 2002 (the "Credit Agreement"), among The Williams Companies, Inc., a Delaware corporation (the "Borrower"), Citicorp USA, Inc., as agent and collateral agent (the "Agent"), Bank of America N.A. as Syndication Agent, Citibank, N.A., Bank of America N.A. and The Bank of Novia Scotia as issuing banks and the various lenders and other Persons from time to time party thereto (collectively, the "Banks") and (b) the Collateral Trust Agreement, dated as of July 31, 2002, among TWC and certain of its Subsidiaries in favor of Citibank, N.A., as collateral trustee (the "Collateral Trustee") for the benefit of the holders of the Secured Obligations (as defined therein), as amended by that First Amendment to Collateral Trust Agreement dated October 31, 2002 (such agreement, as amended, being referred to herein as the "Collateral Trust Agreement"). Capitalized terms used without definition in this Consent and Waiver shall have the meanings provided in the Credit Agreement and the Collateral Trust Agreement. Any amendment to the definition of any term provided in the Credit Agreement shall promptly be provided in writing to the Collateral Trustee and shall have no effect hereunder unless consented to by the Collateral Trustee.

W I T N E S S E T H:

WHEREAS, pursuant to Section 5.1(e) of the Credit Agreement, TWC is required to grant an Acceptable Security Interest over any portion of the Refinery located in Alaska owned by TWC or any of its Subsidiaries within 15 Business Days of December 31, 2002;

WHEREAS, TWC was recently informed by its local counsel that Alaska regulations require additional provisions (the "Regulatory Provisions") be added to the pledge of certain of the real property interests related to the Refinery located in Alaska (the "Alaska Refinery")

WHEREAS, pursuant to that certain notice letter dated January 22, 2003 (the "Notice Letter"), delivered by TWC, TWC has requested that the Banks consent to an extension of the time period for granting an Acceptable Security Interest in the Alaska Refinery; and

WHEREAS, the Banks party hereto are willing to grant the requests of TWC;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, the parties hereto agree as follows:

SECTION 1. Consent and Waiver. Subject to the occurrence of the Effective Date (as defined herein), the Banks agree as follows:

(a) The Banks party hereto, each as holders of the Secured Obligations, consent to an extension of the time period with respect to the requirement to grant an Acceptable Security Interest in the Alaska Refinery to April 25, 2003.

(b) The Banks hereby instruct the Collateral Agent to undertake any and all actions as the Collateral Agent reasonably determines are necessary or desirable to ascertain the possible effect of the Regulatory Provisions.

SECTION 2. Conditions to Effectiveness. The provisions of this Consent and Waiver shall become effective as of the date first above written (the "Effective Date") when, and only when, the Agent or Collateral Trustee, as applicable, shall have received counterparts of this Consent and Waiver duly executed by each of the Borrowers and Banks constituting, in the aggregate, the Majority Banks.

SECTION 3. Reference to and Effect on the Transaction Documents.

(a) On and after the effectiveness of this Consent and Waiver, each reference in the Credit Agreement to "hereunder", "hereof' or words of like import referring to the Credit Agreement and each reference in the other Transaction Documents (as defined below) to the "Credit Agreement", "thereunder", "thereof' or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified by this Consent and Waiver.

(b) The Credit Agreement and each of the L/C Collateral Documents (together, the "Transaction Documents"), as specifically modified by this Consent and Waiver, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Consent and Waiver shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank, the Agent, the Collateral Agent or the Collateral Trustee under any of the Transaction Documents, nor constitute a waiver of any provision of any of the Transaction Documents.

SECTION 4. Execution in Counterparts. This Consent and Waiver may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Consent and Waiver by telecopier shall be effective as delivery of a manually executed counterpart of this Consent and Waiver.

SECTION 5. Governing Law. This Consent and Waiver shall be governed by, and construed in accordance with, the laws of the State of New York and shall be subject to the jurisdictional and service provisions of the Credit Agreement, as if this were a part of the Credit Agreement.

SECTION 6. Entire Agreement; Modification. This Consent and Waiver constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, there being no other agreements or understandings, oral, written or otherwise, respecting such subject matter, any such agreement or understanding being superseded hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and may not be amended, extended or otherwise modified, except in a writing executed in whole or in counterparts by each party hereto.

SECTION 7. Waiver Provisions. This Consent and Waiver is subject to the provisions of Section 9.1 of the Credit Agreement.

[Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITICORP USA, INC , as Agent, Collateral Agent and Bank

By: /s/ Lydia G. Junek

Name: Lydia G. Junek
Title: Attorney-in-Fact

CITIBANK, N.A., as Issuing Bank

By: /s/ Lydia G. Junek

Name: Lydia G. Junek
Title: Attorney-in-Fact

BANK OF AMERICA N.A.,
as Issuing Bank and Bank

By: /s/ Claire M. Liu

Name: Claire M. Liu
Title: Managing Director

JPMORGAN CHASE BANK, as Bank

By: /s/ Thomas T. How

Name: Thomas T. How
Title: Vice President

THE BANK OF NOVA SCOTIA as
Bank only and not as
Issuing Bank or Canadian
Issuing Bank

By: /s/ V. Gibson

Name: V. Gibson
Title: Assistant Agent

LEHMAN COMMERCIAL PAPER INC., as Bank

By: /s/ Suzanne Flynn

Name: Suzanne Flynn
Title: Authorized Signatory

CREDIT LYONNAIS NEW YORK BRANCH,
As Bank

By: /s/ Phillippe Soustra

Name: Phillippe Soustra
Title: Executive Vice President

TORONTO DOMINION (TEXAS), INC., as Bank

By: /s/ Jill Hall

Name: Jill Hall
Title: Vice President

Acknowledged and Agreed:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

EXHIBIT 10.4

EXECUTION COPY

THE WILLIAMS COMPANIES, INC.
MULTIYEAR CREDIT AGREEMENT

CONSENT AND WAIVER
DATED AS OF JANUARY 22, 2003

This CONSENT AND WAIVER, dated as of January 22, 2003, under (a) the First Amended and Restated Credit Agreement dated October 31, 2002 (the "Credit Agreement"), among The Williams Companies, Inc., a Delaware corporation ("TWC"), Northwest Pipeline Corporation, a Delaware corporation ("NWP"), Transcontinental Gas Pipe Line Corporation, a Delaware corporation ("TGPL"), and Texas Gas Transmission Corporation, a Delaware corporation ("TGT"); TWC, NWP, TGPL and TGT each a "Borrower" and collectively, the "Borrowers"), the financial institutions and other Persons from time to time party thereto (the "Banks"), JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as agent (the Agent") and (b) the Collateral Trust Agreement, dated as of July 31, 2002, among TWC and certain of its Subsidiaries in favor of Citibank, N.A., as collateral trustee (the "Collateral Trustee") for the benefit of the holders of the Secured Obligations (as defined therein), as amended by that First Amendment to Collateral Trust Agreement dated October 31, 2002 (such agreement, as amended, being referred to herein as the ~'Collateral Trust Agreement"). Capitalized terms used without definition in this Consent and ~Waiver shall have the meanings provided in the Credit Agreement and the Collateral Trust Agreement. Any amendment to the definition of any term provided in the Credit Agreement shall promptly be provided in writing to the Collateral Trustee and shall have no effect hereunder unless consented to by the Collateral Trustee.

WITNESSETH:

WHEREAS, pursuant to Section 5.01(e) of the Credit Agreement, TWC is required to grant an Acceptable Security Interest over any portion of the Refinery located in Alaska owned by TWC or any of its Subsidiaries within 15 Business Days of December 31, 2002;

WHEREAS, TWC was recently informed by its local counsel that Alaska regulations require additional provisions (the "Regulatory Provisions") be added to the pledge of certain of the real property interests related to the Refinery located in Alaska (the "Alaska Refinery");

WHEREAS, pursuant to that certain notice letter dated January 22, 2003 (the "Notice Letter"), delivered by TWC, TWC has requested that the Banks consent to an extension of the time period for granting an Acceptable Security Interest in the Alaska Refinery; and

WHEREAS, the Banks party hereto are willing to grant the requests of TWC;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, the parties hereto agree as follows:

SECTION 1. Consent and Waiver. Subject to the occurrence of the Effective Date (as defined herein), the Banks agree as follows:

(a) The Banks party hereto, each as holders of the Secured Obligations, consent to an extension of the time period with respect to the requirement to grant an Acceptable Security Interest in the Alaska Refinery to April, 25, 2003.

(b) The Banks hereby instruct the Collateral Agent to undertake any and all actions as the Collateral Agent reasonably determines are necessary or desirable to ascertain the possible effect of the Regulatory Provisions.

SECTION 2. Conditions to Effectiveness. The provisions of this Consent and Waiver shall become effective as of the date first above written (the "Effective Date") when, and only when, the Agent or Collateral Trustee, as applicable, shall have received counterparts of this Consent and Waiver duly executed by each of the Borrowers and Banks constituting, in the aggregate, the Majority Banks.

SECTION 3. Reference to and Effect on the Transaction Documents.

(a) On and after the effectiveness of this Consent and Waiver, each reference in the Credit Agreement to "hereunder", "hereof' or words of like import referring to the Credit Agreement and each reference in the other Transaction Documents (as defined below) to the "Credit Agreement", "thereunder", "thereof' or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified by this Consent and Waiver.

(b) The Credit Agreement and each of the L/C Collateral Documents (together, the "Transaction Documents"), as specifically modified by this Consent and Waiver, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Consent and Waiver shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank, the Agent, the Collateral Agent or the Collateral Trustee under any of the Transaction Documents, nor constitute a waiver of any provision of any of the Transaction Documents.

SECTION 4. Execution in Counterparts. This Consent and Waiver may be

executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Consent and Waiver by telecopier shall be effective as delivery of a manually executed counterpart of this Consent and Waiver.

SECTION 5. Governing Law. This Consent and Waiver shall be governed by, and construed in accordance with, the laws of the State of New York and shall be subject to the jurisdictional and service provisions of the Credit Agreement, as if this were a part of the Credit Agreement.

SECTION 6. Entire Agreement; Modification. This Consent and Waiver constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, there being no other agreements or understandings, oral, written or otherwise, respecting such subject matter, any such agreement or understanding being superseded hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and may not be amended, extended or otherwise modified, except in a writing executed in whole or in counterparts by each party hereto.

SECTION 7. Waiver Provisions. This Consent and Waiver is subject to the provisions of Section 8.01 of the Credit Agreement.

[Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITICORP USA, INC. as Agent and as Bank

By: /s/ Lydia G. Junek

Name: Lydia G. Junek
Title: Attorney-in-Fact

JPMORGAN CHASE BANK (formerly known as
THE CHASE MANHATTAN BANK),
as Co-Syndication Agent and as Bank

By: /s/ Thomas T. How

Name: Thomas T. How
Title: Vice President

COMMERZBANK AG,
as Co-Syndication Agent and as Bank

By: /s/ Harry Yergey

Name: Harry Yergey
Title: Senior Vice President & General Manager

By: /s/ Brian Campbell

Name: Brian Campbell
Title: Senior Vice President

CREDIT LYONNAIS NEW YORK BRANCH,
As Documentation Agent and as Bank

By: /s/ Phillippe Soustra

Name: Phillippe Soustra
Title: Executive Vice President

BANK ONE, N.A. (Main Office - Chicago),
As Bank

By: /s/ Tipton J. Burch

Name: Tipton J. Burch
Title: First Vice President

UBS AG, STAMFORD BRANCH, as Bank

By: /s/ Kelly Smith

Name: Kelly Smith
Title: Recovery Management

By: /s/ William A. Roche

Name: William A. Roche
Title: Executive Director
Recovery Management

SOCIETE GENERALE, SOUTHWEST AGENCY,
As Bank

By: /s/ J. Douglas McMurrey, Jr.

Name: J. Douglas McMurrey, Jr.
Title: Managing Director

NATIONAL WESTMINSTER BANK PLC
NEW YORK BRANCH, as Bank

By: /s/ Charles Greer

Name: Charles Greer
Title: Senior Vice President

MIZUHO CORPORATE BANK, LIMITED,
NEW YORK BRANCH, as Bank

By: /s/ Jacques Azagury

Name: Jacques Azagury
Title: SVP and Manager

FLEET NATIONAL BANK
(formerly known as BANK BOSTON, N.A.)
as Bank

By: /s/ Matthew M. Speh

Name: Matthew M. Speh
Title: Authorized Officer

CIBC INC., as Bank

By: /s/ Mercedes M. Arango

Name: Mercedes M. Arango
Title: Executive Director

BARCLAYS BANK PLC, as Bank

By: /s/ Nicholas A. Bell

Name: Nicholas A. Bell
Title: Director, Loan Transaction Management

THE BANK OF NOVA SCOTIA, as Bank

By: /s/ V. Gibson

Name: V. Gibson
Title: Assistant Agent

THE BANK OF NEW YORK, as Bank

By: /s/ Lizanne T. Eberle

Name: Lizanne T. Eberle
Title: Vice President

BANK OF MONTREAL, as Bank

By: /s/ MaryLee Latta

Name: MaryLee Latta
Title: Director

BANK OF AMERICAN, N.A., as Bank

By: /s/ Claire M. Liu

Name: Claire M. Liu
Title: Managing Director

ABN AMRO BANK, N.V., as Bank

By: /s/ Frank R. Russo, Jr.

Name: Frank R. Russo, Jr.
Title: Group Vice President

By: /s/ Jeffery G. White

Name: Jeffery G. White
Title: Vice President

BANK OF OKLAHOMA, N.A., as Bank

By: /s/ Robert D. Mattax

Name: Robert D. Mattax
Title: Senior Vice President

CREDIT SUISSE FIRST BOSTON, as Bank

By: /s/ S. William Fox

Name: S. William Fox
Title: Director

By: /s/ Ian Nalitt

Name: Ian Nalitt
Title: Associate

WESTLB AG, NEW YORK BRANCH, as Bank

By: /s/ Salvatore Battinelli

Name: Salvatore Battinelli
Title: Managing Director, Credit Department

By: /s/ Duncan M. Robertson

Name: Duncan M. Robertson
Title: Director

ROYAL BANK OF CANADA, as Bank

By: /s/ Peter Barnes

Name: Peter Barnes
Title: Senior Manager

TORONTO DOMINION (TEXAS) INC., as Bank

By: /s/ Jill Hall

Name: Jill Hall
Title: Vice President

Acknowledged and Agreed:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

TEXAS GAS TRANSMISSION CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Assistant Treasurer

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Assistant Treasurer

NORTHWEST PIPELINE CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Assistant Treasurer

EXHIBIT 10.5

EXECUTION COPY

THE WILLIAMS COMPANIES, INC.
L/C AGREEMENT

AMENDMENT
Dated as of March 28, 2003

This AMENDMENT, dated as of March 28, 2003 (this 'Agreement"), under the Amended and Restated Credit Agreement dated as of October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003 (such agreement, as amended or otherwise modified, being referred to herein as the "L/C Agreement"), among The Williams Companies, Inc., a Delaware corporation (the "Borrower"), Citicorp USA, Inc., as agent and collateral agent (the "Agent"), Bank of America NA. as Syndication Agent, Citibank, N.A., Bank of America N.A. and The Bank of Nova Scotia as issuing banks and the various lenders and other Persons from time to time party thereto (collectively, the "Banks"). Capitalized terms used without definition in this Agreement shall have the meanings provided in the L/C Agreement.

W I T N E S S E T H:

WHEREAS, the Borrower intends to consummate those certain asset dispositions as described on Schedule 1 attached hereto (the "Asset Dispositions")

WHEREAS, the Borrower has requested that the Banks agree to (i) amend the L/C Agreement to permit the Asset Dispositions and provide certain amendments to the L/C Agreement in connection with the Asset Dispositions and (ii) amend the requirements of the L/C Agreement with respect to the security interest to be granted in the Refinery located in Alaska on the terms and conditions as set forth herein (the "Alaska Security Interest");

WHEREAS, the Banks are willing to grant the requests of the Borrowers and agree to provide certain amendments to the L/C Agreement as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, the parties hereto agree as follows:

SECTION 1. Amendment of L/C Agreement. Subject to the occurrence of the Effective Date, the L/C Agreement is amended as follows:

(i) Section 1.1 of the LIC Agreement is hereby amended by inserting the following definition in proper alphabetical order:

'''Amendment Asset Disposition' means those asset dispositions described in items 19 through 26 in Schedule XIV hereto."

(ii) Section 2.3(b) of the L/C Agreement is hereby amended by:

(a) inserting the words "any Amendment Asset Disposition," after the words in the

parenthetical of clause (iii) thereof "(other than the Refineries in Alaska and Memphis and the assets related thereto,"; and

(b) deleting the word "or" at the beginning of clause (iv) thereof; inserting the word "of' at the end of clause (iv) thereof and by adding to the end thereof a new clause (v):

"(v) any Amendment Asset Disposition";

(iii) Section 2.3(b)(B) of the LIC Agreement is hereby amended by deleting the word "and" at the end of clause (3) thereof, inserting the word "and" at the end of clause (4) thereof and by adding to the end thereof a new clause (5):

"(5) 70% of any Net Cash Proceeds arising from an asset disposition referred to in clause (v) above shall be held in the Collateral Account (as defined in the Collateral Trust Agreement) by the Collateral Trustee as Collateral Account Collateral (as defined in the Collateral Trust Agreement), and the balance of the Net Cash Proceeds from such Asset Dispositions shall be retained by the Borrower or its Subsidiaries. Notwithstanding anything in the Collateral Trust Agreement or this Agreement to the contrary, the Borrower shall not be permitted deliver a Release Notice (as defined in the Collateral Trust Agreement) with respect to the release of any Net Cash Proceeds deposited into the Collateral Account pursuant to this clause (B)(5) without obtaining the prior written consent of all of the Banks.";

(iv) Section 5 .2(b)(i) of the L/C Agreement is deleted in its entirety and replaced with the following new Section 5.2(b)(i):

"(i) In the case of the Borrower, permit the ratio of (A) the aggregate amount of Consolidated Debt of the Borrower and its Consolidated Subsidiaries to (B) the sum of the Consolidated Net Worth of the Borrower plus the aggregate amount of Consolidated Debt of the Borrower and its Consolidated Subsidiaries to exceed at any time (x) on or before December 30, 2002, 0.70 to 1.00, (y) after December 30, 2002 and on or before June 30, 2003, 0.68 to 1.00 and (z) after June 30, 2003, 0.65 to 1.00.";

(v) Schedule XIV of the L/C Agreement is amended by inserting Schedule 1 hereto in proper numerical order after item 17 therein; and

(vi) Section 5.1(e) of the L/C Agreement, is amended with respect to the Refinery (and the assets related thereto) in Alaska to limit Borrower's obligation to cause an Acceptable Security Interest to be granted thereover to: (a) Liens already granted and (b) Liens covering the Alaska refinery facility operated by Williams Alaska Petroleum, Inc. in North Pole, Alaska including the land leased from The State of Alaska, Department of Natural Resources, Division of Mining, Lands & Water, Northern Regional Office ("DNR") pursuant to that certain lease agreement #ADL50824 between The State of Alaska, Department of Natural Resources, Division of Lands (predecessor-in- interest to the DNR) and the Energy Company of Alaska (predecessor- in-interest to Williams Alaska Petroleum, Inc.), dated October 22, 1970, as amended by that certain Amendment to Lease Agreement #ADL50824 by the DNR, dated December 1, 1998, and as may otherwise be amended, modified or replaced. Except as is expressly noted in the preceding sentence, the terms and conditions set out in Section 5.1(e) of the L/C Agreement shall remain in full force and effect.

SECTION 2. Conditions to Effectiveness. The provisions of Section 1 of this Agreement shall become effective as of the date first above written (the "Effective Date") when, and only when, the Agent shall have received confirmation of each of the following, each in form and substance satisfactory to the Agent:

(i) Execution of Counterparts. The Agent shall have received counterparts of this Agreement duly executed by each of the Borrower and the Banks party hereto. For the avoidance of doubt, subject to the satisfaction of the other conditions in this Section 3, receipt by the Agent of executed counterparts of this Agreement by (a) the Majority Banks, for Section 1 (iv) and (vi) of this Agreement and the TGT Asset Disposition (as defined in Schedule 1 hereto) and (b) all Banks for Section 1 (i) through (iii) and (v) (except with regard to the TGT Asset Disposition) shall be sufficient consent in accordance with the provisions of Section 9.1 of the L/C Agreement.

(ii) Payment of Fees and Expenses. The Agent shall have determined that an amendment fee of 0.125% of the Commitment of each approving Majority Bank hereto that delivers a duly executed counterpart of this Agreement by no later than 5:00 pm (New York time) March 28, 2003, and all agency, trustee, custodial, filing service, legal and other fees and disbursements incurred and invoiced through the day immediately prior to the Effective Date, including all fees of the Collateral Trustee and the Agent and their respective counsel, shall have been paid in full by the Borrower.

(iii) No Default. No Default shall have occurred and be continuing, other than a Default that shall be cured by the effectiveness hereof.

SECTION 3. Confirmation of Representations and Warranties. The Borrower hereby represents and warrants, on and as of the date hereof, that the representations and warranties contained in the LIC Agreement are correct and true in all material respects on and as of the date hereof, before and after giving effect to this Agreement, as though made on and as of the date hereof, other than any such representations or warranties that, by their terms, refer to a specific date.

SECTION 4. Reference to and Effect on the Transaction Documents. (a) On and after the effectiveness of this Agreement, each reference in the L/C Agreement to "hereunder", "hereof' or words of like import referring to the L/C Agreement, and each reference in the other transaction documents to the "L/C Agreement", "thereunder ", "thereof' or words of like import referring to the L/C Agreement, shall mean and be a reference to the L/C Agreement as modified by this Agreement.

(b) On and after the TGT Asset Disposition, (i) each reference in any provision, schedule or exhibit in the L/C Agreement to "TGT" and "Texas Gas Transmission Corporation" shall be removed therefrom and (ii) any provision, schedule or exhibit in the L/C Agreement, to the extent such provision, schedule or exhibit, applies or relates to "TGT" or "Texas Gas Transmission Corporation", shall be of no applicability or effect.

(c) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank or the Agent under any of the transaction documents, nor constitute a waiver of any provision of any of the transaction documents.

SECTION 5. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 6. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall be subject to the jurisdictional and service provisions of the L/C Agreement, as if this were a part of the L/C Agreement.

SECTION 7. Entire Agreement: Modification. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof; there being no other agreements or understandings, oral, written or otherwise, respecting such subject matter, any such agreement or understanding being superseded hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and may not be amended, extended or otherwise modified, except in a writing executed in whole or in counterparts by each party hereto.

[The rest of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITICORP USA, INC., as Agent, Collateral Agent and Bank

By: /s/ Todd J. Mogil

Name: Todd J. Mogil
Title: Vice President

CITIBANK, N.A., as Issuing Bank

By: /s/ Todd J. Mogil

Name: Todd J. Mogil
Title: Attorney-in-Fact

BANK OF AMERICA N.A., as Issuing Bank and Bank

By: /s/ Claire M. Liu

Name: Claire M. Liu
Title: Managing Director

JPMORGAN CHASE BANK, as Bank

By: /s/ Robert W. Traband

Name: Robert W. Traband
Title: Vice President

TORONTO DOMINION (TEXAS), INC., as Bank

By: /s/ Jill Hall

Name   Jill Hall
Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH, as Bank

By: /s/ Olivier Audemard

Name: Olivier Audemard
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, as Bank only and not as
Issuing Bank or Canadian Issuing Bank

By: /s/ M. D. Smith

Name: M. D. Smith
Title: Agent

MERRILL LYNCH CAPITAL CORP., as Bank

By: /s/ Carol J. E. Feeley

Name: Carol J. E. Feeley
Title: Vice President
        Merrill Lynch Capital Corp.

LEHMAN COMMERCIAL PAPER INC., as Bank

By: /s/ Suzanne Flynn

Name: Suzanne Flynn
Title: Authorized Signatory

Acknowledged and Agreed:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

SCHEDULE 1

ASSET DISPOSITIONS

18. Texas Gas Transmission Corporation

- Equity Interests and assets of Texas Gas Transmission Corporation (the '(degree)I'GT Asset Disposition')

19. MLP (Collateral)

- Equity Interests and assets of Williams GP LLC, WEG GP, LLC and the MLP including, notwithstanding item 16 of Schedule XIV, the Class B Units in the MLP

20. Liquid Pipelines (Collateral)

- Equity Interests and assets of Rio Grande Pipeline Company

- Equity Interests and assets of West Texas LPG Pipeline Limited Partnership

- Equity Interests and assets of Tri-States NGL Pipeline, L.L.C.

- Equity interests and assets of WILPRISE Pipeline Company, L.L.C.

21. North High Island Package (Collateral) Black Marlin Pipeline System

- Equity Interests and assets of Black Marlin Pipeline Company

- High Island A- 5 Gathering Lateral

  North High Island

- High Island 199 Gathering Lateral

- High Island 169 to 109 Gathering Lateral and the platform at High Island 157

- HI-BOL Pipeline extending approximately from HI-Block A-22 to HI-Block 98

- West Cameron 61 Gathering Lateral

  Cameron Meadows and Station 44

- Cameron Meadows and Johnson Bayou Gas Processing Plants and Separation and Dehydration Facilities at Station 44

22. All rights and related interest owned by the Borrower or any Subsidiary of Borrower in the Vermillion Gas Processing Plant (Collateral)

23. All of the assets of and related interests owned by the Borrower or any Subsidiary of the Borrower in the Sulphur Mines Storage Facilities in Calcasieu Parish, Louisiana, including, without limitation, contracts related to these assets between Williams Midstream Natural Gas Liquids, Inc. and various third parties. (Collateral)

24. All rights to, and related interests owned by the Borrower or any Subsidiary of the Borrower in the contracts related to the Geismar, Louisiana olefins facility and pipelines, including, without limitation, contracts related to these assets between EMT, Williams Midstream Natural Gas Liquids, Inc. and Williams Midstream Marketing & Risk Management, respectively and individually, and various third parties, and all rights to and related interests owned by the Borrower or any Subsidiary of the Borrower in the contracts related to olefins storage in Mont Belvieu, Texas, including, without limitation, contracts related to these assets between EMT and various third parties. (Collateral)

25. All of the assets of Wiljet, L.L.C. and all of the Equity Interests of Wiljet, L.L.C. owned by the Borrower or any Subsidiary of the Borrower and all of the Borrower's and Subsidiaries' of the Borrower interest in and assets related to the 57 North ~ Avenue, Phoenix, Arizona 85043 terminal located in Phoenix and commonly known as the "57th Avenue Terminal" currently leased to Wiljet, L.L.C. (Collateral)

26. All assets related to the Borrower's or its Subsidiaries' domestic crude oil gathering, blending and marketing business (the "Gathering and Marketing Business"), including, without limitation, all rights to and related interests owned by the Borrower or a Subsidiary in the Terrebonne (a.k.a. Bayou Black) Pipeline and all contracts related to the Gathering and Marketing Business. (Collateral)

EXHIBIT 10.6

EXECUTION COPY

THE WILLIAMS COMPANIES, INC.
MULTIYEAR CREDIT AGREEMENT

AMENDMENT
Dated as of March 28, 2903

This AMENDMENT, dated as of March 28, 2003 (this "Agreement"), under the First Amended and Restated Credit Agreement dated October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003 (such agreement, as amended or otherwise modified, being referred to herein as the "Credit Agreement"), among The Williams Companies, Inc., a Delaware corporation ('TWC"), Northwest Pipeline Corporation, a Delaware corporation (t4WP"), Transcontinental Gas Pipe Line Corporation, a Delaware corporation ("TGPL"), and Texas Gas Transmission Corporation, a Delaware corporation ('TGT"); TWC, NWP, TGPL and TGT each a 'Borrower" and collectively, the 'Borrowers"), the financial institutions and other Persons from time to time party thereto (the "Banks"), JPMorgan Chase Bank (f/k/a The Chase Manhattan Bank) and Commerzbank AG, as Co- Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as agent (the "Agent"). Capitalized terms used without definition in this Agreement shall have the meanings provided in the Credit Agreement.

W I T N E S S E T H:

WHEREAS, the Borrowers intend to consummate those certain asset dispositions as described on Schedule I attached hereto (the "Asset Dispositions");

WHEREAS, the Borrowers have requested that the Banks agree to (i) amend the Credit Agreement to permit the Asset Dispositions and provide certain amendments to the Credit Agreement in connection with the Asset Dispositions and (ii) amend the requirements of the Credit Agreement with respect to the security interest to be granted in the Refinery located in Alaska on terms and conditions as set forth herein (the "Alaska Security Interest")

WHEREAS, the Banks are willing to grant the requests of the Borrowers and agree to provide certain amendments to the Credit Agreement as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, the parties hereto agree as follows:

SECTION 1. Amendment of Credit Agreement. Subject to the occurrence of the Effective Date, the Credit Agreement is amended as follows:

(i) Section 1.01 of the Credit Agreement is hereby amended by inserting the following definition in proper alphabetical order:

'''Amendment Asset Disposition' means those asset dispositions described in items 19 through 26 in Schedule VII hereto."

(ii) Section 2.04(c) of the Credit Agreement IS hereby amended by:

(a) inserting the words "any Amendment Asset Disposition," after the words in the parenthetical of clause (iii) thereof "(other than the Refineries in Alaska and Memphis and the assets related thereto,"; and

(b) deleting the word "of' at the beginning of clause (iv) thereof, inserting the word "of' at the end of clause (iv) thereof and by adding to the end thereof a new clause (v):

"(v) any Amendment Asset Disposition";

(iii) Section 2.04(c)(B) of the Credit Agreement is hereby amended by deleting the word "and" at the end of clause (3) thereof, inserting the word "and" at the end of clause (4) thereof and by adding to the end thereof a new clause (5):

"(5) 70% of any Net Cash Proceeds arising from an asset disposition referred to in clause (v) above shall be held in the Collateral Account (as defined in the Collateral Trust Agreement) by the Collateral Trustee as Collateral Account Collateral (as defined in the Collateral Trust Agreement), and the balance of the Net Cash Proceeds from such Asset Dispositions shall be retained by TWC or its Subsidiaries. Notwithstanding anything in the Collateral Trust Agreement or this Agreement to the contrary, TWC shall not be permitted to deliver a Release Notice (as defined in the Collateral Trust Agreement) with respect to the release of any Net Cash Proceeds deposited into the Collateral Account pursuant to this clause (B)(5) without obtaining the prior written consent of all of the Banks.";

(iv) Section 5 .02(b)(i) of the Credit Agreement is deleted in its entirety and replaced with the following new Section 5 .02(b)(i):

"(i) In the case of TWC, permit the ratio of (A) the aggregate amount of Consolidated Debt of TWC and its Consolidated Subsidiaries to (B) the sum of the Consolidated Net Worth of TWC plus the aggregate amount of Consolidated Debt of TWC and its Consolidated Subsidiaries to exceed at any time (x) on or before December 30, 2002, 0.70 to 1.00, (y) after December 30, 2002 and on or before June 30, 2003, 0.68 to 1.00 and (z) after June 30, 2003, 0.65 to 1.00.";

(v) Schedule VII of the Credit Agreement is amended by inserting Schedule 1 hereto in proper numerical order after item 17 therein;

(vi) Schedule X of the Credit Agreement is deleted in its entirety and replaced with Schedule X hereto; and

(vii) Section 5.01(e) of the Credit Agreement, is amended with respect to the Refinery (and the assets related thereto) in Alaska to limit the Borrowers' obligation to cause an Acceptable Security Interest to be granted thereover to: (a) Liens already granted and (b) Liens covering the Alaska

refinery facility operated by Williams Alaska Petroleum, Inc. in North Pole, Alaska including the land leased from The State of Alaska, Department of Natural Resources, Division of Mining, Lands & Water, Northern Regional Office ('DNR") pursuant to that certain lease agreement #ADL50824 between The State of Alaska, Department of Natural Resources, Division of Lands (predecessor-in- interest to the DNR) and the Energy Company of Alaska (predecessor- in-interest to Williams Alaska Petroleum, Inc.), dated October 22, 1970, as amended by that certain Amendment to Lease Agreement #ADL50824 by the DNR, dated December 1, 1998, and as may otherwise be amended, modified or replaced. Except as is expressly noted in the preceding sentence, the terms and conditions set out in Section 5.01(e) of the Credit Agreement shall remain in full force and effect.

SECTION 2. Conditions to Effectiveness. The provisions of Section 1 of this Agreement shall become effective as of the date first above written (the "Effective Date") when, and only when, the Agent shall have received confirmation of each of the following, each in form and substance satisfactory to the Agent:

(i) Execution of Counterparts. The Agent shall have received counterparts of this Agreement duly executed by each of the Borrowers and the Banks party hereto. For the avoidance of doubt, subject to the satisfaction of the other conditions in this Section 3, receipt by the Agent of executed counterparts of this Agreement by (a) the Majority Banks, for Section 1(iv), (vi) and (vii) of this Agreement and the TGT Asset Disposition (as defined in Schedule 1 hereto) and (b) all Banks for Section 1(i) through (iii) and (v) (except with regard to the TGT Asset Disposition) shall be sufficient consent in accordance with the provisions of Section 8.01 of the Credit Agreement.

(ii) Payment of Fees and Expenses. The Agent shall have determined that an amendment fee of 0.125% of the Commitment of each approving Majority Bank hereto that delivers a duly executed counterpart of this Agreement by no later than 5:00 pm (New York time) March 28, 2003, and all agency, trustee, custodial, filing service, legal and other fees and disbursements incurred and invoiced through the day immediately prior to the Effective Date, including all fees of the Collateral Trustee and the Agent and their respective counsel, shall have been paid in full by the Borrowers.

(iii) No Default. No Default shall have occurred and be continuing, other than a Default that shall be cured by the effectiveness hereof.

(iv) Payment of Advances. Solely with respect to the TGT Asset Disposition (as defined on Schedule 1 hereto), the Agent shall have received confirmation that all principal, interest and all other outstanding amounts of any Advance to TUT shall have been repaid in full.

SECTION 3. Confirmation of Representations and Warranties. Each of the Borrowers hereby represents and warrants, on and as of the date hereof, that the representations and warranties contained in the Credit Agreement are correct and true in all material respects on and as of the date hereof, before and after giving effect to this Agreement, as though made on and as of the date hereof, other than any such representations or warranties that, by their terms, refer to a specific date.

SECTION 4. Reference to and Effect on the Transaction Documents. (a) On and after the effectiveness of this Agreement, each reference in the Credit Agreement to "hereunder", "hereof' or words of like import referring to the Credit Agreement, and each reference in the other transaction

documents to the "Credit Agreement", "thereunder", "thereof' or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified by this Agreement.

(b) On and after the TGT Asset Disposition, (i) each reference in any provision, schedule or exhibit ,in the Credit Agreement to "TGT" and "Texas Gas Transmission Corporation" shall be removed therefrom, (ii) any provision, schedule or exhibit in the Credit Agreement, to the extent such provision, schedule or exhibit, applies or relates to "TGT" or "Texas Gas Transmission Corporation", shall be of no applicability or effect and (iii) the obligations of the Banks to make Advances to TGT and the Banks' Commitments to TGT shall terminate.

(c) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank or the Agent under any of the transaction documents, nor constitute a waiver of any provision of any of the transaction documents.

SECTION 5. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 6. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, and shall be subject to the jurisdictional and service provisions of the Credit Agreement, as if this were a part OF the Credit Agreement.

SECTION 7. Entire Agreement; Modification This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, there being no other agreements or understandings, oral, written or otherwise, respecting such subject matter, any such agreement or understanding being superseded hereby, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, and may not be amended, extended or otherwise modified, except in a writing executed in whole or in counterparts by each party hereto.

[Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITICORP USA, INC., as Agent and as Bank

By: /s/ Todd J. Mogil

Name: Todd J. Mogil
Title: Vice President

JP MORGAN CHASE BANK,
As Co-Syndication Agent and as Bank

By: /s/ Robert W. Traband

Name: Robert W. Traband
Title: Vice President

COMMERZBANK AG,
As Co-Syndication Agent and as Bank

By: /s/ Harry P Yergey

Name: Harry P. Yergey
Title: Senior Vice President & Manager

By: /s/ Brian J. Campbell

Name: Brian J. Campbell
Title: Senior Vice President

CREDIT LYONNAIS NEW YORK BRANCH,
As Documentation Agent and as Bank

By: /s/ Olivier Audemard

Name: Olivier Audemard
Title: Senior Vice President

THE BANK OF NOVA SCOTIA, as Bank

By: /s/ M. D. Smith

Name: M. D. Smith
Title: Agent

BANK OF AMERICA, N.A., as Bank

By: /s/ Claire M. Liu

Name: Claire M. Liu
Title: Managing Director

BANK ONE, N.A. (Main Office - Chicago) as
Bank

By: /s/ Brett Hatchett

Name: Brett Hatchett
Title: Vice President

NATIONAL WESTMINSTER BANK PLC,
As Bank

By: /s/ Charles Greer

Name: Charles Greer
Title: Senior Vice President

ABN AMRO BANK, N.V., as Bank

By: /s/ Jamie Conn

Name: Jamie Conn
Title: Group Vice President

By: /s/ Frank R. Russo, Jr.

Name: Frank R. Russo, Jr.
Title: Group Vice President

BANK OF MONTREAL, as Bank

By: /s/ MaryLee Latta

Name: MaryLee Latta
Title: Director

THE BANK OF NEW YORK, as Bank

By: /s/ Lizanne T. Eberle

Name: Lizanne T. Eberle
Title: Vice President

BARCLAYS BANK PLC, as Bank

By: /s/ Nicholas A. Bell

Name: Nicholas A. Bell
Title: Director
        Loan Transaction Management

CIBC INC., as Bank

By: /s/ Mercedes M. Arango

Name: Mercedes M. Arango
Title: Executive Director

CREDIT SUISSEE FIRST BOSTON, as Bank

By: /s/ James P. Morgan

Name: James P. Morgan
Title: Director

By: /s/ Ian W. Halitt

Name: Ian W. Halitt
Title: Associate

ROYAL BANK OF CANADA, as Bank

By: /s/ Peter Barnes

Name: Peter Barnes
Title: Senior Manager

THE BANK OF TOKYO MITSUBISHI, LTD.,
HOUSTON AGENCY, as Bank

By: /s/ K. Glasscock

Name: K. Glasscock
Title: VP & Manager

By: /s/ J. Fort

Name: J. Fort
Title: Vice President

FLEET NATIONAL BANK
(f/k/a BANK BOSTON, N.A.), as Bank

By: /s/ Matthew M. Speh

Name: Matthew M. Speh
Title: Authorized Officer

SOCIETE GENERALE, Southwest Agency, as
Bank

By: /s/ J. Douglas McMurrey, Jr.

Name: J. Douglas McMurrey, Jr.
Title: Managing Director

TORONTO DOMINION (TEXAS), INC., as
Bank

By: /s/ Jill Hall

Name: Jill Hall
Title: Vice President

UBS AG, STAMFORD BRANCH, as Bank

By: /s/ Kelly Smith

Name: Kelly Smith
Title: Recovery Management

By: /s/ David J. Kalal

Name: David J. Kalal
Title: Recovery Management

WELLS FARGO BANK TEXAS, N.A.,
as Bank

By: /s/ J. Alan Alexander

Name: J. Alan Alexander
Title: Vice President

WESTLB AG, NEW YORK BRANCH,
as Bank

By: /s/ Salvatore Battinelli

Name: Salvatore Battinelli
Title: Managing Director
        Credit Department

By: /s/ Duncan M. Robertson

Name: Duncan M. Robertson
Title: Director

CREDIT AGRICOLE INDOSUEZ, as Bank

By: /s/ Michael R. Quiray

Name: Michael R. Quiray
Title: Vice President

By: /s/ Michael D. Willis

Name: Michael D. Willis
Title: Vice President

SUNTRUST BANK, as Bank

By: /s/ J. Scott Deviney

Name: J. Scott Deviney
Title: Vice President

ARAB BANKING CORPORATION (B.S.C.),
As Bank

By: /s/ Robert J. Ivosevich

Name: Robert J. Ivosevich
Title: Deputy General Manager

By: /s/ Barbara C. Sanderson

Name: Barbara C. Sanderson
Title: VP Head of Credit

BANK OF CHINA NEW YORK BRANCH

March 20, 2003

CONFIDENTIAL

Via Telecopier (302) 894-6120

Citicorp USA, Inc.
399 Park Avenue
New York, New York 10043

Attention: The Williams Companies, Inc. Account Officer

Re: Amendment, dated as of March 28, 2003 (the "Amendment"), under the First Amended and Restated Credit Agreement, dated as of October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003 (as so modified, the "Credit Agreement"), among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, as Borrowers, the Banks named therein, JPMorgan Chase Bank, and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as Agent

Ladies and Gentlemen:

We have notified you that, first, we do not believe we have an obligation to make Advances under the Credit Agreement and, second, the Amendment cannot be adopted without our consent. Since, at this time, we continue to believe that we have no obligation to fund Advances under the Credit Agreement given the material adverse changes at The Williams Companies, Inc. and, moreover, since we do not consent to the Credit Agreement, we will not execute and deliver the proposed Amendment as presented to us at this time.

Nonetheless, we are aware of the Borrowers' and our position as to the need to obtain the releases and to amend the Credit Agreement to permit the transactions contemplated by the Amendment. Therefore, reserving our rights and positions set our prior notices to the Agent, we hereby agree and consent to those pc Amendment that would not otherwise become effective unless our agreement received.

Very truly yours,

BANK OF CHINA

By: /s/ William Warren Smith

Name: William Warren Smith
Title: Chief Loan Officer

cc: BY MAIL AND TELECOPIER (7I3-654-2849)
Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston Texas 77002
Attention: The Williams Companies, Inc., Account Officer

BANK OF OKLAHOMA, N.A., as Bank

By: /s/ Robert A. Mattax

Name: Robert A. Mattax
Title: Senior Vice President

BNP PARIBAS, HOUSTON AGENCY, as Bank

By: /s/ Larry Robinson

Name: Larry Robinson
Title: Director

By: /s/ Mark A. Cox

Name: Mark A. Cox
Title: Director

DZ BANK AG DEUTSCHE ZENTRAL-
GENOSSENSCHAFTSBANK, NEW YORK
BRANCH, as Bank

By: /s/ William A. Klun

Name: William A. Klun
Title: Vice President

By: /s/ Nancy J. O'Conner

Name: Nancy J. O'Conner
Title: Vice President

KBC BANK N.V., as Bank

By: /s/ Michael V. Curran

Name: Michael V. Curran
Title: Vice President

By: /s/ Eric Raskin

Name: Eric Raskin
Title: Vice President

MIZUHO CORPORATION BANK, LIMITED, NEW YORK BRANCH, as Bank

By: /s/ Noel Purcell

Name: Noel Purcell
Title: SVP & Department Head

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Bank

By: /s/ David E. Humphreys

Name: David E. Humphreys
Title: Vice President

COMMERCE BANK, N.A., as Bank

By: /s/ Joseph McCaddon

Name: Joseph McCaddon
Title: Senior Vice President

March 28, 2003

CONFIDENTIAL

Via Telecopier (302) 894-6120

Citicorp USA, Inc.
399 Park Avenue
New York, New York 10043

Attention: The Williams Companies, Inc. Account Officer

Re: Amendment, dated as of March 28, 2003 (the "Amendment"), under the First Amended and Restated Credit Agreement dated October 31, 2002, as modified by the Consent and Waiver dated as of January 22, 2003, among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, as Borrowers, the Banks named therein, JPMorgan Chase Bank, and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citicorp USA, Inc., as Agent (the "Credit Agreement")

Ladies and Gentlemen:

We have notified you that, first, we do not believe we have an obligation at this time to make Advances to The Williams Companies, Inc. under the predecessor to the Credit Agreement given the material adverse changes at The Williams Companies, Inc. and, second, we did not execute and deliver the Credit Agreement Nonetheless, we are aware of the Borrowers' and your position as to the need to obtain the releases described in the Amendment in order (i) to amend the Credit Agreement to permit the asset dispositions as contemplated by the Amendment; and (ii) to amend the Credit Agreement to permit the other modifications contemplated by the Amendment. Therefore, reserving our rights and positions set forth in our prior notices to the Agent, we hereby consent to those provisions of the Amendment that would not otherwise become effective unless our consent is received.

Very truly yours,

RZB FINANCE, LLC

By: /s/ John A. Valiska

Name: John A. Valiska
Title: Group Vice President

By: /s/ Elisabeth Hirst

Name: Elisabeth Hirst
Title: Assistant Vice President

Cc: BY MAIL AND TELECOPIER (713-654-2849)
Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Attention: The Williams Companies, Inc., Account Officer

SUMITOMO MITSUI BANKING
CORPORATION, as Bank

By: /s/ Leo E. Pagarigan

Name: Leo E. Pagarigan
Title: Senior Vice President

Acknowledged and Agreed:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title:

TEXAS GAS TRANSMISSION CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title:

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title:

NORTHWEST PIEPLIE CORPORATION

By: /s/ James G. Ivey

Name: James G. Ivey
Title:

SCHEDULE I

ASSET DISPOSITIONS

18. Texas Gas Transmission Corporation

- Equity Interests and assets of Texas Gas Transmission Corporation (the "TGT Asset Disposition')

19. MLP (Collateral)

- Equity Interests and assets of Williams GP LLC, WEG GP, LLC and the MLP including, notwithstanding item 16 of Schedule VII, the Class B Units in the MLP

20. Liquid Pipelines (Collateral)

- Equity Interests and assets of Rio Grande Pipeline Company

- Equity Interests and assets of West Texas LPG Pipeline Limited Partnership

- Equity Interests and assets of Tn-States NGL Pipeline, L.L.C.

- Equity Interests and assets of WJLPRISE Pipeline Company, L.L.C.

21. North High Island Package (Collateral)

Black Marlin Pipeline System

- Equity Interests and assets of Black Marlin Pipeline Company

- High Island A-5 Gathering Lateral

North High Island

- High Island 199 Gathering Lateral

- High Island 169 to 109 Gathering Lateral and the platform at High Island 157

- HI-BOL Pipeline extending approximately from HI-Block A-22 to HI-Block 98

- West Cameron 61 Gathering Lateral

Cameron Meadows and Station 44

- Cameron Meadows and Johnson Bayou Gas Processing Plants and Separation and Dehydration Facilities at Station 44

22. All rights and related interests owned by TWC or any Subsidiary of TWC in the Vermillion Gas Processing Plant (Collateral)

23. All of the assets of and related interests owned by TWC or any Subsidiary of TWC in the Sulphur Mines Storage Facilities in Calcasieu Parish, Louisiana, including, without limitation, contracts related to these assets between Williams Midstream Natural Gas Liquids, Inc. and various third parties (Collateral)

24. All rights to and related interests owned by TWC or any Subsidiary of TWC, in the contracts related to the Geismar, Louisiana olefins facility and pipelines, including, without limitation, contracts

related to these assets between EMT, Williams Midstream Natural Gas Liquids, Inc. and Williams Midstream Marketing & Risk Management, respectively and individually, and various third parties, and all rights to and related interests owned by TWC or any Subsidiary of TWC in the contracts related to olefins storage in Mont Belvieu, Texas, including, without limitation, contracts related to these assets between EMT and various third parties (Collateral)

25. All of the assets of Wiljet, L.L.C. and all of the Equity Interests of Wiljet, L.L.C. owned by TWC or any Subsidiary of TWC, and all of TWC's an! Subsidiaries' of TWC interest in and assets related to the 57 North ~ Avenue, Phoenix, Arizona 85043 terminal located in Phoenix and commonly known as the "57th Avenue Terminal" currently leased to Wiljet, L.L.C. (Collateral)

26. All assets related to TWC's or its Subsidiaries' domestic crude oil gathering, blending and marketing business (the "Gathering and Marketing Business"), including, without limitation, all rights to and related interests owned by TWC or a Subsidiary in the Terrebonne (a.k.a. Bayou Black) Pipeline and all contracts related to the Gathering and Marketing Business (Collateral)

Schedule X

COMMITMENTS

Banks	TWC Commitment	NWP Commitment	TGPL Commitment	TGT Commitment
Mizuho Corporate Bank, Ltd.	$ 35,500,000.00	$ 35,500,000.00	$ 35,500,000.00	$ 17,750,000.00
The Bank of Nova Scotia	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
Bank of America, NA.	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
Bank One, N.A.	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
JPMorgan Chase Bank (f/k/a The Chase Manhattan)	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
Citicorp USA, Inc.	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
Commerzbank AG	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
Credit Lyonnais New York Branch	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
National Westminster Bank PLC	17,083,333.33	17,083,333.33	17,083,333.33	8,541,666.67
ABN Amro Bank N.Y.	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
Bank of Montreal	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
The Bank of New York	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
Barclays Bank PLC	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
CIBC Inc.	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
Credit Suisse First Boston	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
Royal Bank of Canada	14,000,000.00	14,000,000.00	14,000,000.00	7,000,000.00
The Bank of Tokyo.Mitsubishi, Ltd.	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
Fleet National Bank	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
Societe Generale	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
Toronto Dominion (Texas) Inc.	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
UBS AG, Stamford Branch	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
wells Fargo Bank Texas, N.A.	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
WestLB AG, New York Branch	11,833,333.33	11,833,333.33	11,833,333.33	5,916,666.67
Credit Agricole Indosuez	6,583,333.34	6,583,333.34	6,583,333.34	3,291,666.64
Wachovia Bank, National Association	4,285,714.42	4,285,714.42	4,285,714.42	2,142,857.20
Arab Banking Corporation (B.S.C.)	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
Bank of China	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
Bank of Oklahoma, NA.	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
BNP Paribas	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
DZ Bank AG	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
KBC Bank NV.	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
Sumitomo Mitsui Banking Corporation	4,125,000.00	4,125,000.00	4,125,000.00	2,062,500.00
RZB Finance, LLC	2,479,166.68	2,479,166.68	2,479,166.68	1,239,583.33
Commerce Bank, NA.	2,479,166.68	2,479,166.68	2,479,166.68	1,239,583.33
Suntrust Bank	2,297,618.93	2,297,618.93	2,297,618.93	1,148,809.45
TOTAL	$400,000,000.00	$400,000,000.00	$400,000,000.00	$200,000,000.00

EXHIBIT 12

The Williams Companies, Inc. and Subsidiaries
Computation of Ratio of Earnings to Combined Fixed Charges
and Preferred Stock Dividend Requirements
(Dollars in millions)

	Three months ended March 31, 2003
Earnings:	
Loss from continuing operations before income taxes	$ (82.0)
Add:	
Interest expense - net	360.7
Rental expense representative of interest factor	8.2
Minority interest in income of consolidated subsidiaries	16.1
Interest accrued - 50% owned companies	0.8
Equity losses in less than 50% owned companies	0.6
Other	(6.1)
Total earnings as adjusted plus fixed charges	$ 298.3
Fixed charges and preferred stock dividend requirements:	
Interest expense - net	$ 360.7
Capitalized interest	12.1
Rental expense representative of interest factor	8.2
Pre-tax effect of preferred stock dividend requirements of the Company	11.0
Interest accrued - 50% owned companies	0.8
Combined fixed charges and preferred stock dividend requirements	$ 392.8
Ratio of earnings to combined fixed charges and preferred stock dividend requirements (a)	

(a) Earnings were inadequate to cover combined fixed charges and preferred stock dividend requirements by $94.5 million for three months ended March 31, 2003.

EXHIBIT 99.1

The following written statement accompanies the issuer's Quarterly Report on Form 10-Q and is not filed as provided in SEC Release Nos. 33-8212, 34-47551 and IC-25967, dated March 21, 2003.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Williams Companies, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Malcolm, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Steven J. Malcolm
Steven J. Malcolm
Chief Executive Officer
May 13, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.2

The following written statement accompanies the issuer's Quarterly Report on Form 10-Q and is not filed as provided in SEC Release Nos. 33-8212, 34-47551 and IC-25967, dated March 21, 2003.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Williams Companies, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald R. Chappel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Donald R. Chappel
Donald R. Chappel
Chief Financial Officer
May 13, 2003

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.